FINANCIAL REVIEW

Group results

For the financial year ended 31 December 2006, the Group's turnover was approximately HK$329,320,000 (2005: (restated) HK$412,763,000). Loss attributable to shareholders (the "Shareholders") of the Company was approximately HK$323,384,000 (2005: HK$312,173,000). Loss per Share amounted to HK40.4 cents (2005: HK39.0 cents).

Selling and distribution expenses

During the financial year, the Group's selling and distribution costs amounted to approximately HK$17,971,000 (2005: (restated) HK$11,811,000), representing an increase of approximately 52.2% over last year. The increase was resulted from the sales of small pack oil increased by 714% to approximately HK$211,587,000 (2005: HK$26,001,000) during the year after the Group launched the small pack oil and commenced sales.

Administrative expenses

Administrative expenses decreased to approximately HK$39,132,000 (2005: (restated) HK$46,698,000), representing a decrease of 16.2% as compared with the last year. This was mainly due to tighter control by the management over the budget of administrative expenses, including staff cut and layoff. At the same time, upon the completion of the disposal of equity interests of China Force (Dongguan), administrative expenses were reduced. The administrative expenses for the financial year ended 31 December 2006 included an amount of approximately HK$6,607,000 which was the fair value of the share options granted to employees recognized as an expense during the year (2005: HK$11,200,000).

Finance costs

The Group's finance costs for the financial year amounted to approximately HK$4,453,000 (2005: (restated) HK$12,481,000), 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 31 December 2006, the Group's net liabilities amounted to HK$57,788,000 (2005: HK$258,956,000 net assets). As at 31 December 2006, the Group's cash and bank deposits amounted to HK$9,769,000 (2005: (restated) HK$76,841,000). The Group's net current liabilities were approximately HK$174,552,000 (2005: (restated) HK$120,797,000 net current assets).

As at 31 December 2006, the Group had total available banking facilities amounted to HK$482,087,000 of which HK$475,987,000 has been utilized. As such, the Group had remaining available banking facilities of HK$6,100,000 as at that date.

On 22 June 2006, an agreement was entered into with Central Grain Reserve Guangdong Xingshagang Depot and China Grain Reserve Oriental Trading Company Limited for the disposal of equity interests in China Force (Dongguan). Cash flow from the disposal amounted to approximately RMB97,300,000. The banks loans have been reduced by RMB70,000,000 from the disposal. The total operating expenses, general administrative expenses and interest expenses reduced by RMB6,720,000 for August to December. The financial burden of the Group was partly relieved during the second half of 2006. The pressure on cash flow of the Group was also mitigated.

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 year. As at 31 December 2006, the Group's net liabilities was approximately HK$57,788,000 (2005: HK$258,956,000 net assets), and the net debts were HK$205,182,000 (2005: (restated) HK$425,163,000). Based on the above, the Group's net gearing ratio was approximately (355.1)% (2005: (restated) 164.2%).

OPERATIONAL REVIEW

Soyabean oil and palm oil business

During the financial year until the end of September, despite the extent of inversion in oil price was reduced, it still remained not in proportion to the usual price correlation. The fall in the overall price of edible oil in the PRC continued, whilst the prices of international oil raw materials remained high. As such, the Group reduced the scale in soyabean oil and palm oil business. As the futures prices at the Chicago Board of Trade (the "CBOT") was trading in the opposite trend to that spot price of commodities in the PRC, we have not implemented hedging business for futures during the financial year. As a result of the above unfavorable and unexpected market factors, the Group's sales volume of soyabean oil and palin oil did not record any growth.

Small pack oil business

In 2006, the Group launched the small pack oil business and commenced sales. Sales amounted to approximately HK$211,587,000 (2005: HK$26,001,000). The growth in sales was mainly attributable to the Group's strategy focusing its resources on the development of small pack oil business. The Group adopted suitable selling and marketing strategy, researched and developed different kinds of products to fulfill the different requirements with emphasis on healthy edible oil, which were well received by the market. The strategy of developing small pack oil business is important to the future development of the Group. With regard to profitability, the gross profit of our small pack oil business was HK$6,816,000, and the gross profit per tonne was HK$198.

PROSPECTS

In light of the market situations and the circumstances faced by the Group, together with the adverse effect brought by the refining segment, the Group focused its resources on the small pack oil business in 2006. With regard to the demands in small pack oil products market, the Group has launched small pack oil products in three brands of over 30 packing specifications. During the financial year, the small pack oil business of the Group focused in the north-eastern cities in the PRC. These products were mainly sold at major supermarkets. Certain results were achieved in the market with effective branding strategy. The small pack oil products of the Group are currently sold in over 1,000 outlets. The Group will introduce more categories to satisfy different demands in the market.