1 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Company and its subsidiaries (collectively referred to as the "Group") is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. These changes in standards have not resulted in any material changes to the Group's results of operations and financial position.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 37).

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2006 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that derivative financial instruments (see note 1(d)) are stated at their fair value. The functional currency of the Company and its subsidiaries in the People's Republic of China ("PRC") are Hong Kong dollars and Renminbi ("RMB") respectively. For the purposes of presenting the consolidated financial statements, the Group adopted Hong Kong dollars as its presentation currency.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 1(v)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

1 Significant accounting policies (continued)

(b) Basis of preparation of the financial statements (continued)

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 36.

In preparing the financial statements, the directors have considered the future liquidity of the Group in view of its net liabilities position as at 31 December 2006. During the year and up to the date of approval of these financial statements, the Group defaulted on the repayments of certain bank loans. The Group has actively discussed with its principal bankers and prospective investors in order to secure continual financial support and obtain new working capital. 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 and the prospective investors to finance its future working capital and financial requirements. The Group's principal bankers will allow the Group to extend the repayment dates of bank loans or renew the bank loans when they fall due at higher interest rates when necessary. In addition, the Group is currently in discussion with certain prospective investors to dispose of its interest in certain subsidiaries in the PRC, to finance the operations of the Group. Accordingly, notwithstanding that the Group incurred a consolidated net loss attributable to equity holders of the Company of approximately $323,384,000 for the year ended 31 December 2006 and had consolidated net current liabilities of approximately $174,552,000 and consolidated net liabilities of approximately $57,788,000 as at 31 December 2006, the directors are of the opinion that it is appropriate to prepare the financial statements for the year ended 31 December 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 write down the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets. The effect of these adjustments has not been reflected in the financial statements.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(h)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 1(v)).

1 Significant accounting policies (continued)

(d) Derivative financial instruments

Commodity derivative contracts, which are entered into to protect the Group from the impact of price fluctuations in oil commodities, are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is charged immediately to profit or loss.

(e) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(h)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the cost of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowings costs (see note 1(u)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 20 years after the date of completion.

– Machinery and equipment	5 – 10 years
– Motor vehicles	5 years
– Office equipment, fixtures and fittings	5 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately.

1 Significant accounting policies (continued)

(f) Construction in progress

Construction in progress represents buildings under construction and equipments pending installation, and is stated at cost less impairment losses (see note 1(h)). Cost comprises direct costs of construction as well as interest charges during the period of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use, notwithstanding any delays in the issue of the relevant commissioning certificates by the relevant authorities in the PRC.

No depreciation is provided in respect of construction in progress until it is substantially complete and ready for its intended use.

(g) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases except for land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

1 Significant accounting policies (continued)

(h) Impairment of assets

(i) Impairment of receivables

For trade and other current receivables and other financial assets carried at cost or amortised cost, the impairment loss is measured as the different between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment and construction in progress;

– pre-paid interests in leasehold land classified as being held under an operating lease; and

– investments in subsidiaries (except for those classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 1(v)).

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

1 Significant accounting policies (continued)

(h) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(i) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1 Significant accounting policies (continued)

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 1(h)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 1(h)).

(k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction cost. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(l) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(n) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at the grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

1 Significant accounting policies (continued)

(n) Employee benefits (continued)

(ii) Share based payments (continued)

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On the vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

1 Significant accounting policies (continued)

(o) Income tax (continued)

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

1 Significant accounting policies (continued)

(p) Financial guarantees issued, provisions and contingent liabilities (continued)

(i) Financial guarantees issued (continued)

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(p)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit or loss as follows:

(i) Sale of goods

Revenue is recognised when the title to the goods and the related risks and rewards of ownership are passed to customers, the Group will not execute the right of supervision and control over the goods, either the proceeds are received or entitlement of proceeds is evidenced, and the cost of sale of goods can be estimated reliably. Revenue excludes value added tax and is after deduction of any trade discounts.

(ii) Service income

Service income is recognised when the related service is rendered.

1 Significant accounting policies (continued)

(q) Revenue recognition (continued)

(iii) Subsidy income

Subsidy income is recognised upon the granting of subsidy by the relevant authorities when there is reasonable assurance that it will be received and that the Group will comply with the conditions attaching to them.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(r) Trust assets

No account has been taken in the balance sheet of edible oil held by the Group on behalf of third parties pursuant to the relevant storage and processing agreements.

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

(t) Repairs and maintenance expenses

Repairs and maintenance expenses, including cost of major overhaul, are expensed as incurred.

1 Significant accounting policies (continued)

(u) Borrowing costs

Borrowing costs are expensed in the profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditures for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(v) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets and explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets and financial assets (other than investments in subsidiaries). These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 1.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(w) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operation, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

1 Significant accounting policies (continued)

(w) Discontinued operations (continued)

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(x) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

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

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(y) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

1 Significant accounting policies (continued)

(y) Segment reporting (continued)

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period. Unallocated items mainly comprise financial and corporate assets, tax balances and corporate expenses.

2 Changes in accounting policies

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group.

The accounting policies of the Group after the adoption of these developments to the extent that they are relevant to the Group are summarised in note 1. The following sets out information on the significant changes in accounting policies for the current and prior accounting periods reflected in these financial statements.

Financial guarantees issued (Amendments to HKAS 39, Financial Instruments: Recognition and Measurement: Financial Guarantee Contracts)

In prior years, financial guarantees issued by the Group were disclosed as contingent liabilities in accordance with HKAS 37, Provisions, Contingent Liabilities and Contingent Assets. No provisions were made in respect of these guarantees unless it was more likely than not that the guarantee would be called upon.

With effect from 1 January 2006, in order to comply with the amendments to HKAS 39 in respect of financial guarantee contracts, the Group has changed its accounting policy for financial guarantees issued. Under the new policy, financial guarantees issued are accounted for as financial liabilities under HKAS 39 and measured initially at fair value, where the fair value can be reliably measured. Subsequently, they are measured at the higher of the amount initially recognised, less accumulated amortisation, and the amount of the provision, if any, that should be recognised in accordance with HKAS 37. Further details of the new policy are set out in note 1(p)(i).

This change in accounting policy has no financial effect to the consolidated and company financial statements. Details of the financial guarantees currently issued by the Group are set out in note 30(d).

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 year may be analysed as follows:

	2006	2005
	'000	'000
Continuing operations:		
Sales of		
– Small pack edible oils	**211,587**	26,001
Trading of		
– Crude soyabean oil	**–**	124,703
– Crude palm oil	**–**	40,484
– Other edible oils and related products	**117,733**	221,575
	329,320	412,763
Discontinued operations: (note 9)		
Sales of		
– Soyabean oil	**1,175,956**	2,051,228
– Palm oil	**85,968**	1,131,875
– Sunflower seed oil	**–**	8,297
– Other edible oils and related products	**10,088**	6,133
Logistics and storage charges	**16,634**	16,972
Processing charges of edible oil products	**17,686**	12,495
	1,306,332	3,227,000
	1,635,652	3,639,763

4 Other revenue and net income/(loss)

	2006 '000	2005 '000
Other revenue		
Continuing operations:		
Interest income	**1,265**	1,052
Insurance compensation	**741**	4,863
Sundry income	**162**	835
	2,168	6,750
Discontinued operations: (note 9)		
Interest income	**1,877**	974
Subsidy income	**–**	798
Sundry income	**124**	167
	2,001	1,939
	4,169	8,689

	2006 '000	2005 '000
Other net income/(loss)		
Continuing operations:		
Gain on disposal of non-current assets classified as held for sale	**1,349**	–
Exchange loss	**(763)**	(1,022)
Loss on disposal of fixed assets	**(198)**	(3)
Miscellaneous net loss	**(106)**	–
	282	(1,025)
Discontinued operations: (note 9)		
Exchange gain	**564**	2,815
Gain on disposal of fixed assets	**128**	14
Miscellaneous net income	**72**	2
	764	2,831
	1,046	1,806

5 Loss before taxation

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

		2006 '000	2005 '000
(a)	Finance costs:		
	Continuing operations:		
	Interest on bank advances and other borrowings wholly repayable within five years	4,447	12,481
	Discounting charges	6	–
		4,453	12,481
	Discontinued operations: (note 9)		
	Interest on bank advances and other borrowings wholly repayable within five years	39,225	41,242
	Discounting charges	264	1,147
		39,489	42,389
		43,942	54,870
(b)	Staff costs:		
	Continuing operations:		
	Salaries, wages and bonuses	16,068	16,184
	Staff welfare	1,013	1,011
	Contributions to retirement benefit schemes	951	817
	Equity-settled share-based payment expenses	6,607	11,200
		24,639	29,212
	Discontinued operations: (note 9)		
	Salaries, wages and bonuses	11,465	16,636
	Staff welfare	2,094	3,987
	Contributions to retirement benefit schemes	1,032	1,293
		14,591	21,916
		39,230	51,128

5 Loss before taxation (continued)

	2006 **'000**	2005 '000
(c) Other items:		
Continuing operations:		
Amortisation of land lease premium	**730**	386
Depreciation	**5,525**	1,070
Auditors' remuneration	**2,687**	3,091
Impairment losses – trade and other receivables, deposits and prepayments	**952**	374
Operating lease charges in respect of properties	**5,945**	1,511
Discontinued operations: (note 9)		
Amortisation of land lease premium	**932**	909
Depreciation	**32,258**	33,612
Changes in fair value of commodity derivative contracts	**–**	(33,143)
Realised loss on commodity derivative contracts	**25**	85,504
Auditors' remuneration	**62**	103
Impairment losses		
– fixed assets	**4,780**	–
– construction in progress	**7,059**	–
– trade and other receivables, deposits and prepayments	**108,396**	6,160
Operating lease charges in respect of properties	**4,862**	4,471

6 Taxation

(a) Continuing operations:

(i) Taxation in the consolidated income statement represents:

	2006	2005
	'000	'000
Current tax – Hong Kong Profits Tax		
Over-provision in respect of prior year	**–**	(139)
Deferred tax		
Origination and reversal of temporary differences (note 16(a))	**4,375**	(4,292)
Total income tax expense/(credit)	**4,375**	(4,431)

(ii) Reconciliation between tax expense/(credit) and accounting loss at applicable tax rates:

	2006	2005
	'000	'000
Loss before tax	**(50,684)**	(122,198)
Notional tax on loss before tax, calculated at the rates applicable to the tax jurisdiction concerned	**(8,253)**	(21,096)
Non-deductible expenses	**1,857**	2,708
Unused tax losses not recognised	**10,771**	14,096
Over-provision in respect of prior year	**–**	(139)
Actual tax expense/(credit)	**4,375**	(4,431)

6 Taxation (continued)

(b) Discontinued operations: (note 9)

(i) Taxation in the consolidated income statement represents:

	2006 '000	2005 '000
Current tax-PRC income tax		
Tax refund for re-investment	**(1,565)**	(1,292)
Over-provision in respect of prior year	**–**	(4,016)
	(1,565)	(5,308)
Deferred tax		
Origination and reversal of temporary differences (note 16(a))	**45,436**	(43,844)
Total income tax expense/(credit)	**43,871**	(49,152)

(ii) Reconciliation between tax expense/(credit) and accounting loss at applicable tax rates:

	2006 '000	2005 '000
Loss before tax	**(224,454)**	(243,558)
Notional tax on loss before tax, calculated at the rates applicable to the tax jurisdiction concerned	**(35,827)**	(43,920)
Non-deductible expenses	**209**	76
Unused tax losses not recognised	**81,054**	–
Over-provision in respect of prior year	**–**	(4,016)
Tax refund of re-investment	**(1,565)**	(1,292)
Actual tax expense/(credit)	**43,871**	(49,152)

(c) 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 year ended 31 December 2006 and 2005.

(Expressed in Hong Kong dollars unless otherwise indicated)

6 Taxation (continued)

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

	Note	**2006**	2005
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%**	33%
China Force Oils (Tianjin) Co., Ltd. ("China Force Oils (Tianjin)")	(i)	**15%**	15%
China Force Oils (Zhenjiang) Co., Ltd. ("China Force Oils (Zhenjiang)")	(i)	**24%**	N/A
China Force Oils & Grains Industrial (Dongguan) Co., Ltd. ("China Force (Dongguan)")	(ii)	**0%**	0%
China Force Oils & Grains (Tianjin) Industry Co., Ltd. ("China Force (Tianjin)")	(ii)	**15%**	7.5%
China Force Oils & Grains Industrial (Zhenjiang) Co., Ltd. ("China Force (Zhenjiang)")	(ii)	**24%**	12%

6 Taxation (continued)

Notes:

(i) As China Force Oils (Tianjin) and China Force Oils (Zhenjiang) did not generate assessable profits during the year ended 31 December 2006, 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 sixth year following the first profit-making year, and China Force (Dongguan) is in the second year of tax holiday.

According to the Corporate Income Tax law that was passed at the Tenth National People's Congress ("NPC") Fifth Plenary Session, the applicable income tax rate for the Group's PRC subsidiaries is changed to 25% with effect from 1 January 2008. Details of this tax reform are disclosed under the paragraph "Post balance sheet events" in note 33(a).

Except for the above, the subsidiaries established in the PRC are not subject to PRC income tax during the year as they have not commenced business as at 31 December 2006.

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.

7 Directors' remuneration

Details of directors' remuneration are as follows:

	Directors' fees '000	Salaries, allowances and benefits in kind '000	Discretionary bonuses '000	Retirement scheme contributions '000	Sub-total '000	Share-based payments (note) '000	2006 Total '000
Executive directors							
Mr Lim Wa	–	938	–	12	950	–	950
Mr Lam Cham	–	1,200	–	12	1,212	629	1,841
Mr Ding Ming Shan	–	620	–	12	632	336	968
Mr Li Xiao Ning	–	402	–	19	421	336	757
Independent non-executive directors							
Professor Xiao Zhuo Ji	300	–	–	–	300	–	300
Dr Wong Lung Tak, Patrick	200	–	–	–	200	–	200
Mr Chan Kin Sang	200	–	–	–	200	–	200
Total	700	3,160	–	55	3,915	1,301	5,216

7 Directors' remuneration (continued)

Details of directors' remuneration are as follows: (continued)

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments (note)	2005 Total
	'000	'000	'000	'000	'000	'000	'000
Executive directors							
Mr Lim Wa	–	1,207	–	12	1,219	–	1,219
Mr Lam Cham	–	1,200	–	12	1,212	1,050	2,262
Mr Ding Ming Shan	–	800	–	12	812	560	1,372
Mr Li Xiao Ning	–	388	–	13	401	560	961
Independent non-executive directors							
Professor Xiao Zhuo Ji	300	–	–	–	300	–	300
Dr Wong Lung Tak, Patrick	200	–	–	–	200	–	200
Mr Chan Kin Sang	200	–	–	–	200	–	200
Total	700	3,595	–	49	4,344	2,170	6,514

Note: These represent the estimated value of share options granted to the directors pursuant to the Company's share option schemes. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(n). Details of these benefits in kind are disclosed under the paragraph "Share options" in the directors' report and note 26.

8 Individuals with highest emoluments

Of the five individuals with the highest emoluments, three (2005: three) are directors of whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other two (2005: two) individuals are as follows:

	2006 '000	2005 '000
Salaries and other emoluments	**2,791**	2,500
Discretionary bonuses	**191**	–
Share-based payments	**126**	315
Retirement scheme contributions	**23**	22
	3,131	2,837

8 Individuals with highest emoluments (continued)

The emoluments of the two (2005: two) individuals with the highest emoluments are within the following bands:

$	**2006 Number of individuals**	2005 Number of individuals
Nil – 1,000,000	**–**	–
1,000,001 – 1,500,000	**1**	1
1,500,001 – 2,000,000	**1**	1

9 Discontinued operations

The Group's edible oils fractionation and refining operations were discontinued following the disposal of the Group's entire equity interests in China Force (Dongguan) to PRC independent third parties resulting in a net loss on disposal of $13,349,000 (Further details in relation to the disposal are set out in the Company's circular dated 14 July 2006 and note 29 to these financial statements), and the proposed disposal of two subsidiaries, China Force (Zhenjiang) and China Force (Tianjin) (see note 22).

(a) The results of the discontinued operations for the years ended 31 December 2006 and 2005 are as follows:

	Note	**2006 '000**	2005 '000
Turnover	3	**1,306,332**	3,227,000
Cost of sales		**(1,306,188)**	(3,336,940)
Gross profit/(loss)		**144**	(109,940)
Other revenue	4	**2,001**	1,939
Other net income	4	**764**	2,831
Impairment losses on non-current assets		**(11,839)**	–
Selling and distribution costs		**(32,087)**	(62,978)
Administrative expenses		**(130,599)**	(33,021)
Loss from operations		**(171,616)**	(201,169)
Net loss on disposal of a subsidiary		**(13,349)**	–
Finance costs	5(a)	**(39,489)**	(42,389)
Loss before taxation	5	**(224,454)**	(243,558)
Income tax	6(b)	**(43,871)**	49,152
Loss for the year		**(268,325)**	(194,406)

9 Discontinued operations (continued)

(b) The net cash flows of the discontinued operations for the year ended 31 December 2006 and 2005 are as follows:

	2006 **'000**	2005 '000
Net cash inflow/(outflow) from operating activities	**211,591**	(254,157)
Net cash inflow/(outflow) from investing activities	**14,275**	(40,437)
Net cash (outflow)/inflow from financing activities	**(321,962)**	166,098
Net cash outflow incurred by the discontinued operations	**(96,096)**	(128,496)

10 Loss attributable to equity shareholders of the Company

The consolidated loss attributable to shareholders of the Company includes a loss of $7,390,000 (2005: $12,644,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's (loss)/profit for the year:

	2006 **'000**	2005 '000
Amount of loss attributable to equity shareholders dealt with in the Company's financial statements	**(7,390)**	(12,644)
Final dividends from subsidiaries attributable to the profits of the previous financial year, approved and paid during the year	**–**	147,600
Impairment loss on amounts due from subsidiaries	**(340,693)**	–
Impairment loss on investment in subsidiaries	**(156,205)**	(99,571)
Company's (loss)/profit for the year (note 27(b))	**(504,288)**	35,385

11 Dividends

Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2006 **'000**	2005 '000
Final dividend in respect of the previous financial year, approved and paid in 2005, of 3 cents per ordinary share	**–**	24,000

The final dividend proposed after the balance sheet date had not been recognised as a liability at the balance sheet date.

12 Loss per share

(a) Basic loss per share

From continuing and discontinued operations

The calculation of basic loss per share is based on the loss attributable to shareholders of $323,384,000 (2005: $312,173,000) and the weighted average of 800,000,000 (2005: 800,000,000) ordinary shares in issue during the year.

From continuing operations

The calculation of basic loss per share is based on the loss attributable to shareholders of $55,059,000 (2005: $117,767,000) and the weighted average of 800,000,000 (2005: 800,000,000) ordinary shares in issue during the year.

From discontinued operations

The calculation of basic loss per share is based on the loss attributable to shareholders of $268,325,000 (2005: $194,406,000) and the weighted average of 800,000,000 (2005: 800,000,000) ordinary shares in issue during the year.

(b) Diluted loss per share

There were no dilutive outstanding potential ordinary shares in issue throughout the years presented, as the average market price of the Company's shares were below the exercise price of the share options $1.23 during the years presented.

13 Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises the following main business segments:

Edible oils fractionation and refining: production and sale of edible oils and related logistics and processing services.

Small pack edible oils: production and sale of small pack edible oils.

Trading of edible oils and related products.

13 Segment reporting (continued)

Business segments (continued)

	Discontinued operations		Continuing operations							
	Edible oils fractionation and refining		Small pack edible oils		Trading of edible oils and related products		Inter-segment elimination		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	'000	'000	'000	'000	'000	'000	'000	'000	'000	'000
Revenue from external customers	1,306,332	3,227,000	211,587	26,001	117,733	386,762	-	–	1,635,652	3,639,763
Inter-segment revenue	152,813	29,357	3,054	–	136,101	1,390,148	(291,968)	(1,419,505)	-	–
Total	1,459,145	3,256,357	214,641	26,001	253,834	1,776,910	(291,968)	(1,419,505)	1,635,652	3,639,763
Segment result	(171,616)	(201,169)	(9,396)	(8,873)	(36,835)	(100,844)			(217,847)	(310,886)
Finance costs	(39,489)	(42,389)	(2,005)	(152)	(2,448)	(12,329)			(43,942)	(54,870)
Loss on disposal of a subsidiary	(13,349)	–	-	–	-	–			(13,349)	–
Income tax (expense)/credit	(43,871)	49,152	(865)	848	(3,510)	3,583			(48,246)	53,583
Loss for the year									(323,384)	(312,173)
Depreciation and amortisation for the year	33,190	34,521	5,321	463	934	993				
Impairment losses										
-fixed assets	4,780	–	-	–	-	–				
-construction in progress	7,059	–	-	–	-	–				
-receivables	108,396	6,160	952	–	-	374				
Segment assets	441,490	889,009	176,704	118,729	219,271	871,130	(121,642)	(180,914)	715,823	1,697,954
Deferred tax assets									-	48,854
Total assets									715,823	1,746,808
Segment liabilities	(275,060)	(317,767)	(114,900)	(63,333)	(116,575)	(324,376)	208,911	180,936	(297,624)	(524,540)
Interest-bearing borrowings	(261,036)	(461,308)	(40,662)	(22,500)	(174,289)	(479,504)			(475,987)	(963,312)
Total liabilities									(773,611)	(1,487,852)
Capital expenditure incurred during the year	4,583	40,845	32,361	92,029	26,916	9,955				

Geographical segments

The Group's turnover and loss from operations derived from activities outside the PRC were insignificant. Accordingly, no analysis by geographical segment is provided.

14 Fixed assets

The Group

	Buildings held for own use carried at cost '000	Machinery and equipment '000	Motor vehicles '000	Office equipment, furniture and fixtures '000	Sub-total '000	Interests in leasehold land held for own use under operating lease '000	Total '000	Discontinued operations '000	Total '000
Cost:									
At 1 January 2006	15,468	2,375	1,890	2,920	22,653	26,587	49,240	543,677	592,917
Exchange adjustments	1,070	806	70	108	2,054	1,063	3,117	18,410	21,527
Additions	–	581	–	43	624	–	624	1,232	1,856
Transfer from construction in progress (note 15)	24,773	34,962	–	44	59,779	–	59,779	14,236	74,015
Disposals									
– through disposal of a subsidiary	–	–	–	–	–	–	–	(179,235)	(179,235)
– others	(298)	–	(288)	(4)	(590)	–	(590)	(3,075)	(3,665)
Transfer to non-current assets classified as held for sale (note 22)	–	–	(272)	(145)	(417)	(5,526)	(5,943)	–	(5,943)
At 31 December 2006	41,013	38,724	1,400	2,966	84,103	22,124	106,227	395,245	501,472
Accumulated amortisation and depreciation:									
At 1 January 2006	150	72	432	597	1,251	390	1,641	84,884	86,525
Exchange adjustments	36	61	21	29	147	31	178	3,744	3,922
Charge for the year	1,753	2,905	318	549	5,525	730	6,255	33,190	39,445
Impairment loss	–	–	–	–	–	–	–	4,780	4,780
Written back on disposal									
– through disposal of a subsidiary	–	–	–	–	–	–	–	(16,095)	(16,095)
– others	(93)	–	(113)	(1)	(207)	–	(207)	(1,854)	(2,061)
Transfer to non-current assets classified as held for sale (note 22)	–	–	(97)	(63)	(160)	(258)	(418)	–	(418)
At 31 December 2006	1,846	3,038	561	1,111	6,556	893	7,449	108,649	116,098
Net book value:									
At 31 December 2006	39,167	35,686	839	1,855	77,547	21,231	98,778	286,596	385,374

14 Fixed assets (continued)

The Group (continued)

	Buildings held for own use carried at cost '000	Machinery and equipment '000	Motor vehicles '000	Office equipment, furniture and fixtures '000	Sub-total '000	Interests in leasehold land held for own use under operating lease '000	Total '000	Discontinued operations '000	Total '000
Cost:									
At 1 January 2005	5,860	–	1,663	1,717	9,240	15,715	24,955	483,958	508,913
Exchange adjustments	119	7	32	46	204	472	676	9,619	10,295
Additions	287	510	272	1,157	2,226	6,089	8,315	11,278	19,593
Transfer from construction in progress (note 15)	14,211	1,858	–	–	16,069	–	16,069	39,106	55,175
Disposals	(698)	–	(77)	–	(775)	–	(775)	(284)	(1,059)
Reclassification	(4,311)	–	–	–	(4,311)	4,311	–	–	–
At 31 December 2005	15,468	2,375	1,890	2,920	22,653	26,587	49,240	543,677	592,917
Accumulated amortisation and depreciation:									
At 1 January 2005	587	–	146	141	874	–	874	49,260	50,134
Exchange adjustments	9	–	6	6	21	4	25	1,354	1,379
Charge for the year	252	72	296	450	1,070	386	1,456	34,521	35,977
Written back on disposal	(698)	–	(16)	–	(714)	–	(714)	(251)	(965)
At 31 December 2005	150	72	432	597	1,251	390	1,641	84,884	86,525
Net book value:									
At 31 December 2005	15,318	2,303	1,458	2,323	21,402	26,197	47,599	458,793	506,392

14 Fixed assets (continued)

The Group (continued)

(a) An analysis of net book value of properties is as follows:

	2006 **'000**	2005 '000
In Hong Kong		
– Long lease	**828**	839
Outside Hong Kong		
– Medium-term leases	**59,570**	40,676
	60,398	41,515
Representing:		
Land and buildings held for own use carried at cost	**39,167**	15,318
Interests in leasehold land held for own use under operating leases	**21,231**	26,197
	60,398	41,515

Long lease represents a lease with an unexpired period not less than 50 years. Medium-term leases represent leases with an unexpired period less than 50 years but more than 10 years.

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 mortgaged to banks for certain banking facilities granted to the Group as disclosed in note 24.

(b) The interests in leasehold land held for own use under operating leases and buildings held for own use carried at cost of the Group situated in the PRC represent land use rights together with the buildings thereon situated in Tianjin and Zhenjiang, the PRC. The applications for property ownership certificates of certain of these buildings with net book value totalling $5,696,000 (2005: $47,338,000) are still in progress and these property ownership certificates have not yet been issued to the Group by the relevant municipal Housing Administration Bureau in the PRC as at the balance sheet date. Notwithstanding this, the directors are of the opinion that the Group has acquired the beneficial title to these buildings as at 31 December 2006 and, the property ownership certificates can be obtained.

15 Construction in progress

	The Group			
	2006		2005	
	Continuing operations '000	**Discontinued operations '000**	Continuing operations '000	Discontinued operations '000
Cost:				
At 1 January	**74,627**	**36,318**	2,930	48,304
Exchange adjustment	**2,413**	**1,060**	701	980
Additions	**58,653**	**3,351**	93,669	29,567
Transfer to fixed assets (note 14)	**(59,779)**	**(14,236)**	(16,069)	(39,106)
Transfer to non-current assets classified as held for sale (note 22)	**(65,305)**	**–**	(6,604)	(3,427)
Impairment loss	**–**	**(7,059)**	–	–
Disposal of a subsidiary (note 29)	**–**	**(1,698)**	–	–
At 31 December	**10,609**	**17,736**	74,627	36,318

The construction in progress at 31 December 2006 primarily relates to the additional production premises and facilities of subsidiaries in the PRC.

During the year, the carrying amounts of certain construction materials were written down by $7,059,000 (2005: $Nil) as the related construction project has been suspended.

16 Deferred taxation

(a) Deferred tax assets recognised

The components of deferred tax assets recognised in the consolidated balance sheet and the movements during the year are as follows:

	Continuing Operations				
	Tax losses '000	**Deductible temporary differences** '000	**Total** '000	**Discontinued operations (note 9)** '000	**Total** '000
At 1 January 2005	–	–	–	704	704
Exchange adjustments	–	–	–	14	14
Credited to consolidated income statement (note 6(a) and (b))	3,793	499	4,292	43,844	48,136
At 31 December 2005	3,793	499	4,292	44,562	48,854

16 Deferred taxation (continued)

(a) Deferred tax assets recognised (continued)

	Continuing Operations				
	Tax losses	Deductible temporary differences	Total	Discontinued operations (note 9)	Total
	'000	'000	'000	'000	'000
At 1 January 2006	3,793	499	4,292	44,562	48,854
Exchange adjustments	74	9	83	874	957
Charged to consolidated income statement (note 6(a) and (b))	(3,867)	(508)	(4,375)	(45,436)	(49,811)
At 31 December 2006	–	–	–	–	–

	2006	2005
	'000	'000
Continuing operations:		
Net deferred tax asset recognised on the consolidated balance sheet	–	4,292
Discontinued operations: (note 9 and 22)		
Net deferred tax asset recognised on the consolidated balance sheet	–	44,562
	–	48,854

16 Deferred taxation (continued)

(b) Deferred tax assets not recognised

Continuing operations:

In accordance with the accounting policy set out in note 1(o), the Group has not recognised deferred tax assets in respect of cumulative tax losses of $160,289,000 (2005: $112,144,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses will expire in the coming four to five years except for an amount of $124,844,000 (2005: $112,144,000) which do not expire under the current tax legislation.

Discontinued operations:

In accordance with the accounting policy set out in note 1(o), the Group has not recognised deferred tax assets in respect of cumulative tax losses of $451,924,000 (2005: $Nil) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

17 Investments in subsidiaries

	The Company	
	2006	2005
	’000	’000
Unlisted shares, at cost	**255,776**	279,498
Less: Impairment loss	**(255,776)**	(99,571)
	–	179,927

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

17 Investments in subsidiaries (continued)

All of these are controlled subsidiaries as defined under note 1(c) and have been consolidated into the Group financial statements.

Name of Company	Place of incorporation/ operations	Issued and fully paid-up/ registered capital '000	Proportion of ownership interest: Group's effective interest %	Held by the Company %	Held by a subsidiary %	Principal activities
Continuing operations:						
China Force Oils & Grains Industrial Limited	British Virgin Islands/ Hong Kong	US$12,000	100	100	–	Investment holding
China Force Oils & Grains Industrial (Hong Kong) Co., Ltd.	Hong Kong	$1,000	100	–	100	Trading of edible oils
China Force High-Tech Chemical Industrial (Zhenjiang) Co., Ltd.	The PRC	US$4,000	100	–	100	Production and sale of oil and fatty acids and related products
Beijing China Force Huarui Management Consultant Co., Ltd.	The PRC	US$2,000	100	–	100	Management and consultation services
Shanghai China Force Huaxu Management Consultant Co., Ltd	The PRC	US$200	100	–	100	Management and consultant services
China Force Oils (Tianjin) Co., Ltd	The PRC	US$2,500	100	–	100	Production and sale of small pack edible oils
China Force Oils (Zhenjiang) Co., Ltd	The PRC	US$2,500	100	–	100	Production and sale of small pack edible oils

17 Investment in subsidiaries (continued)

Name of Company	Place of incorporation/ operations	Issued and fully paid-up/ registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
		'000	%	%	%	
Discontinued operations:						
China Force Oils & Grains (Tianjin) Industry Co., Ltd.	The PRC	US$10,000	100	–	100	Production and sale of edible oils and related services
China Force Oils & Grains Industrial (Zhenjiang) Co., Ltd.	The PRC	US$9,537	100	–	100	Production and sale of edible oils and related services
China Force Oils & Grains Industrial (Xiamen) Ltd.	The PRC	US$3,500	100	–	100	Production and sale of edible oils and related services
China Force Protein Biotechnology (Zhenjiang) Co., Ltd.	The PRC	US$6,800	100	–	100	Production and sale of protein related products
China Force Modern Storage & Transportation (Zhenjiang) Co., Ltd.	The PRC	US$7,500	100	–	100	Logistics services

All subsidiaries incorporated in the PRC are wholly foreign-owned enterprises.

The shares of certain subsidiaries were pledged as part of the security against financing facilities granted to China Force Zhenjiang. The total net book value of these subsidiaries as at 31 December 2006 is disclosed in note 24.

18 Inventories

(a) Inventories in the balance sheet comprise:

	The Group	
	2006	2005
	'000	'000
Small pack oils	**13,126**	5,207
Packing materials	**2,952**	222
Refined soyabean oil	**2,868**	1,600
Sunflower seed oil	**693**	–
Vegetable oil	**218**	–
Other oils	**672**	–
Other materials	**284**	205
Continuing operations	**20,813**	7,234
Assets of a disposal group classified as held for sale (note 22)	**4,428**	446,541
	25,241	453,775

(b) The analysis of the amount of inventories recognised as an expense is as follows:

	The Group	
	2006	2005
	'000	'000
Continuing operations:		
Carrying amount of inventories sold	**320,898**	469,696
Discontinued operation: (note 9)		
Carrying amount of inventories sold	**1,303,249**	3,282,597
Changes in fair value of commodity derivative contracts	**–**	(33,143)
Realised loss on commodity derivative contracts	**25**	85,504
Write-down of inventories	**2,914**	1,982
	1,306,188	3,336,940
	1,627,086	3,806,636

19 Trade and other receivables, deposits and prepayments

	The Group		The Company	
	2006	2005	**2006**	2005
	'000	'000	**'000**	'000
Debtors and bills receivable	**35,298**	138,847	**–**	–
Amounts due from subsidiaries	**–**	–	**52,318**	395,761
Deposits and other receivables	**28,116**	51,908	**145**	182
Prepayments for purchases of raw materials	**263**	31,857	**–**	–
Continuing operations	**63,677**	222,612	**52,463**	395,943
Assets of a disposal group classified as held for sale (note 22)	**43,218**	173,308		
	106,895	395,920		

All of the trade and other receivables, deposits and prepayments are expected to be recovered within one year.

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Included in trade and other receivables, deposits and prepayments are trade debtors and bills receivables (net of impairment losses for bad and doubtful debts) with the following ageing analysis of the balance sheet date:

	The Group	
	2006	2005
	'000	'000
Within 3 months	**30,570**	138,467
More than 3 months but less than 6 months overdue	**3,412**	380
More than 6 months but less than 12 months overdue	**1,316**	–
	35,298	138,847

The Group's credit policy is set out in note 28(a).

Included in deposits and other receivables is an amount paid to a related company for acquisition of an office unit of $Nil at 31 December 2006 (2005: $2,167,000).

19 Trade and other receivables, deposits and prepayments (continued)

Included in trade and other receivables, deposits and prepayments are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group	
	2006	2005
	'000	'000
United States Dollars	**USD–**	USD20,581

20 Cash and cash equivalents

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

	The Group		The Company	
	2006	2005	**2006**	2005
	'000	'000	**'000**	'000
Cash at bank	**9,224**	13,562	**120**	475
Cash in hand	**545**	607	**–**	–
Continuing operations	**9,769**	14,169	**120**	475
Assets of a disposal group classified as held for sale (note 22)	**12,543**	103,987		
Cash and cash equivalents in the consolidated cash flow statement	**22,312**	118,156		

20 Cash and cash equivalents (continued)

Included in cash and cash equivalents in the balance sheets are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		The Company	
	2006	2005	**2006**	2005
	'000	'000	**'000**	'000
United States Dollars	**USD894**	USD1,102	**USD2**	USD3

Other than disclosed above, cash and cash equivalents of $3,610,000 (2005: $107,099,000) are denominated in RMB. 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.

21 Other deposits

The Group has placed deposits of $10,000 (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 31 December 2006, there was no outstanding commitments in respect of purchases of raw materials (2005: $203,783,000). The notional amounts of the Group's future commodity derivative contracts at as 31 December 2005 totalled $2,393,000.

At 31 December 2006, there was no outstanding commodity derivative contracts. The unrealised loss on the Group's commodity derivative contracts remeasured at fair value as at 31 December 2005 was $25,000, which was recognised in profit or loss for the year then ended.

22 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:

		The Group	
	Note	**2006**	2005
		'000	'000
Non-current assets classified as held for sale	(a)	**5,420**	10,031
Assets of a disposal group classified as held for sale	(b)		
Fixed assets	14	**292,121**	458,793
Deposits paid for acquisition of fixed assets		**41,019**	7,243
Construction in progress	15	**83,041**	36,318
Deferred tax assets	16	**–**	44,562
Inventories	18	**4,428**	446,541
Trade and other receivables, deposits and prepayments	19	**43,218**	173,308
Pledged bank deposits		**23,000**	19,157
Cash and cash equivalents	20	**12,543**	103,987
		499,370	1,289,909
		504,790	1,299,940
Liabilities directly associated with assets of a disposal group classified as held for sale	(b)		
Trade and other payables	23	**(211,429)**	(269,233)
Bank loans	24	**(261,036)**	(461,308)
		(472,465)	(730,541)

(a) The non-current assets classified as held for sale represent certain equipment with carrying amount of $5,420,000 (2005: $10,031,000). As the carrying amount of these equipment will be recovered through sale transactions, they have been presented as non-current assets held for sale as at 31 December 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.

22 Non-current assets and assets of a disposal group classified as held for sale (continued)

(b) The Group is negotiating with certain prospective investors to dispose of its interest in edible oils fractionation and refining operations. The assets and liabilities attributable to the operations have been classified as a disposal group held for sale and are presented separately in the consolidated balance sheet.

In addition, a PRC independent third party filed in December 2006 a claim against a subsidiary of the Group (see note 31). Accordingly, certain assets of a subsidiary totalling $130,000,000 were ordered to be frozen by a PRC local court. The litigation is still in progress up to the date of these financial statements. The Group is negotiating with the same party to dispose of its entire interest in certain PRC subsidiaries. The disposal is expected to be completed in 2007 and the frozen assets will then be released upon completion of the disposal. Accordingly, the related assets and liabilities of the PRC subsidiary have been presented as a disposal group held for sale as at 31 December 2006. As the expected disposal proceeds are to exceed their carrying amounts, no impairment loss has been recognised immediately before the classification of a disposal group held for sale.

23 Trade and other payables

	The Group		The Company	
	2006	2005	**2006**	2005
	'000	'000	**'000**	'000
Trade creditors	**20,731**	226,728	**–**	–
Amount due to a subsidiary	**–**	–	**–**	13
Accrued charges and other payables	**56,457**	17,906	**713**	650
Receipts in advance	**8,269**	10,648	**–**	–
Derivatives financial instruments	**–**	25	**–**	–
Continuing operations	**85,457**	255,307	**713**	663
Liabilities directly associated with assets of a disposal group classified as held for sale (note 22)	**211,429**	269,233		
	296,886	524,540		

The amount due to a subsidiary is unsecured, interest free and has no fixed terms of repayment.

23 Trade and other payables (continued)

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis as of the balance sheet date:

	The Group	
	2006	2005
	'000	'000
Due within 3 months	**20,731**	226,728

Included in trade and other payables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group	
	2006	2005
	'000	'000
United States Dollars	**USD233**	USD1,739

24 Bank loans

At 31 December 2006, the bank loans were repayable within 1 year or on demand and analysed as follows:

	The Group	
	2006	2005
	'000	'000
Continuing Operations	**214,951**	502,004
Liabilities directly associated with assets of a disposal group classified as held for sale (note 22)	**261,036**	461,308
	475,987	963,312

24 Bank loans (continued)

At 31 December 2006, terms of bank loans were as follows:

Continuing operations:

	2006			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 (note (b)(ii))	59,745	6.12 – 7.04	75,400	79,091	5.58 – 6.00	73,944
Bank deposits	23,000	5.70 – 5.70	21,889	81,710	4.70 – 5.95	64,010
Inventories	–	–	–	98,887	5.22 – 6.25	122,380
Discounted bills with recourse	2,662	3.84 – 3.84	2,662	13,229	2.16 – 6.04	13,229
Interest in subsidiaries (note (a))	50,218	5.76 – 6.14	75,000	–	–	–
			174,951			273,563
Unsecured bank loans						
Repayable						
– within 1 year	–	6.44 – 6.44	40,000	–	3.34 – 6.14	228,441
			214,951			502,004

24 Bank loans (continued)

Liabilities directly associated with assets of a disposal group classified as held for sale (note 22):

	2006			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 (notes (b)(i)(ii))	**140,093**	**5.58 – 9.21**	**261,036**	149,372	5.58 – 5.58	110,575
Inventories	**–**	**–**	**–**	225,196	4.56 – 5.86	286,467
Discounted bills with recourse	**–**	**–**	**–**	12,342	3.24 – 3.24	12,342
			261,036			409,384
Unsecured bank loans						
Repayable						
– within 1 year	**–**	**–**	**–**	–	5.58 – 5.58	51,924
			261,036			461,308

(a) The shares and certain fixed assets of China Force Protein Biotechnology (Zhenjiang) Co., Ltd., China Force Modern Storage & Transportation (Zhenjiang) Co., Ltd. and China Force Oils (Zhenjiang) were pledged as security against financing facilities granted to China Force Zhenjiang.

(b)(i) Bank loans totalling approximately $25,036,000 were overdue as at 31 December 2006. The Group has actively negotiated with its principal bankers extensions of the overdue bank loans. In this connection, the banks allow the Group to extend the repayment dates of the overdue bank loans at an average additional interest rate of 2.28%.

(b)(ii) After the balance sheet date, the Group defaulted certain bank loans totalling approximately $45,500,000. The Group has actively negotiated with its principal bankers extensions of the bank loans. In this connection, the banks allow the Group to extend the repayment dates of the overdue bank loans and charge at an average additional interest rate of 2.98% ranging from 8.59% to 9.48%.

As at the approval date of these financial statements, the Group is still negotiating with its principal bankers and the prospective investors to finance its financial requirements (see note 22(b)).

24 Bank loans (continued)

(c) Included in bank loans are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group	
	2006	2005
	'000	'000
United States Dollars	**USD2,803**	USD27,094

25 Retirement benefits

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement benefit schemes (the "Schemes") organised by the relevant local government authorities in Tianjin, Zhenjiang, Dongguan, Beijing, Shanghai and Xiamen whereby the Group is required to make contributions to the Schemes at a rate ranging from 10% to 24% of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF Scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $20,000. Contributions to the plan vest immediately.

The Group has no other material obligation for the payment of pension benefits associated with those schemes beyond the annual contributions described above.

26 Equity settled share-based transactions

The Company has two share option schemes namely, the Pre-IPO Share Option Scheme and the Share Option Scheme as defined in the prospectus dated 28 September 2004 (the "Prospectus") issued by the Company, which were adopted on 18 September 2004 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options to subscribe for shares of the Company to a maximum of 80,000,000 shares. The share option schemes shall be valid and effective for a period of 10 years ending on 17 September 2014 after which no further options will be granted. The exercise price of options will be at least the highest of:

(i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which an offer of an option is made by the Company to the grantee (which date must be a business day);

(ii) a price being the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and

(iii) the nominal value of the shares.

(Expressed in Hong Kong dollars unless otherwise indicated)

26 Equity settled share-based transactions (continued)

(a) The terms and conditions of the grants that existed during the year are as follows, whereby all options are settled by physical delivery of shares:

(i) Pre-IPO Share Option Scheme

	Number of instruments	Vesting conditions and exercisable percentage condition	Up to %	Contractual life of options
Options granted to directors:				
– on 18 September 2004	12,400,000	First anniversary of the listed date	20	5 years
		Second anniversary of the listed date	40	
		Third anniversary of the listed date	60	
		Fouth anniversary of the listed date	80	
		Fifth anniversary of the listed date	100	
Options granted to employees:				
– on 18 September 2004	51,600,000	First anniversary of the listed date	20	5 years
		Second anniversary of the listed date	40	
		Third anniversary of the listed date	60	
		Fouth anniversary of the listed date	80	
		Fifth anniversary of the listed date	100	
Total share option	64,000,000			

26 Equity settled share-based transactions (continued)

(a) (Continued)

(i) Pre-IPO Share Option Scheme (Continued)

The consideration paid by each individual for options granted was $1. Each option gives the holder the right to subscribe for an ordinary share of $0.125 each of the Company.

(ii) Share Option Scheme

As at 31 December 2006, no options were granted under the Share Option Scheme.

(b) The number and exercise price of share options are as follows:

	2006		2005	
	Exercise price	**Number of options '000**	Exercise price	Number of options '000
Outstanding at the beginning of the year	**$1.23**	**64,000**	$1.23	64,000
Forfeited during the year	**$1.23**	**(2,150)**	–	–
Outstanding at the end of the year	**$1.23**	**61,850**	$1.23	64,000
Exercisable at the end of the year	**$1.23**	**24,740**	$1.23	12,800

(Expressed in Hong Kong dollars unless otherwise indicated)

26 Equity settled share-based transactions (continued)

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a binominal lattice model. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the binominal lattice model.

Fair value of share options and assumptions

	2006 and 2005
Fair value at measurement date	$ 0.44
Share price	$ 1.23
Exercise price	$ 1.23
Expected volatility	47%
Option life (expressed as weighted average life used in the modelling under binomial lattice model)	5.14 years
Expected dividends	3.37%
Risk-free interest rate (based on Exchange Fund Notes)	3.30%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicity available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. The condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share options grants.

27 Capital and reserves

(a) The Group

	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 assets of a disposal group classified as held for sale '000	Total equity '000
At 1 January 2005		100,000	267,223	10,149	2,728	–	187,119	12,067	579,286
Dividends approved in respect of the previous year	11	–	–	–	–	–	(24,000)	–	(24,000)
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong		–	–	–	–	2,022	–	2,621	4,643
Equity settled share-based transactions		–	–	–	11,200	–	–	–	11,200
Loss for the year		–	–	–	–	–	(312,173)	–	(312,173)
Appropriations to statutory reserves		–	–	5,775	–	–	(10,272)	4,497	–
At 31 December 2005		100,000	267,223	15,924	13,928	2,022	(159,326)	19,185	258,956
At 1 January 2006		100,000	267,223	15,924	13,928	2,022	(159,326)	19,185	258,956
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong		–	–	–	–	2,945	–	232	3,177
Amounts recognised directly in equity relating to assets of a disposal group classified as held for sale		–	–	–	–	(2,102)	–	2,102	–
Equity settled share-based transactions									
– Amount recognised during the year		–	–	–	6,607	–	–	–	6,607
– Forfeiture of share options		–	–	–	(590)	–	590	–	–
Loss for the year		–	–	–	–	–	(323,384)	–	(323,384)
Disposal of a subsidiary		–	–	–	–	–	–	(3,144)	(3,144)
At 31 December 2006		100,000	267,223	15,924	19,945	2,865	(482,120)	18,375	(57,788)

27 Capital and reserves (continued)

(b) The Company

	Note	Share capital '000	Share premium '000	Contributed surplus '000	Capital reserve '000	(Accumulated loss)/ retained profit '000	Total '000
At 1 January 2005		100,000	267,223	185,898	2,728	(2,752)	553,097
Equity settled share-based transactions		–	–	–	11,200	–	11,200
Dividends approved in respect of the previous year	11	–	–	–	–	(24,000)	(24,000)
Profit for the year		–	–	–	–	35,385	35,385
At 31 December 2005		100,000	267,223	185,898	13,928	8,633	575,682
At 1 January 2006		100,000	267,223	185,898	13,928	8,633	575,682
Equity settled share-based transactions							
– Amount recognised during the year		–	–	–	6,607	–	6,607
– Forfeiture of share options		–	–	–	(590)	590	–
Loss for the year		–	–	–	–	(504,288)	(504,288)
Disposal of a subsidiary		–	–	(26,131)	–	–	(26,131)
At 31 December 2006		100,000	267,223	159,767	19,945	(495,065)	51,870

27 Capital and reserves (continued)

(c) Share capital

Authorised and issued share capital

	2006		2005	
	No. of shares '000	Amount '000	No. of shares '000	Amount '000
Authorised:				
Ordinary share of $0.125 each	3,200,000	400,000	3,200,000	400,000
Issued and fully paid:				
Ordinary share of $0.125 each	800,000	100,000	800,000	100,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally to the Company's residual assets.

After the balance sheet date, the ultimate controlling party of the Group, entered into a share pledge agreement and a deed of share charge with the principal bankers, whereby 430,000,000 ordinary shares were pledged to secure against banking facilities up to $154,000,000 (RMB154,000,000) granted to a PRC subsidiary of the Group. Details of the share pledge are disclosed under the paragraph "Post balance sheet events" in note 33(b).

(d) Nature and purpose of reserves

(i) Contributed surplus

Pursuant to a group reorganisation (the "Reorganisation") of the Group, the Company became the holding company of the Group on 19 June 2004. The excess of the consolidated net assets represented by the shares acquired over the nominal value of the shares issued by the Company in exchange under the Reorganisation was transferred to contributed surplus.

(ii) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands.

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

27 Capital and reserves (continued)

(d) Nature and purpose of reserves (continued)

(iii) Capital reserve

The capital reserve comprises the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share based payments in note 1(n)(ii).

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(v) Statutory reserves

Transfers from retained earnings to statutory reserves were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries incorporated in the PRC and were approved by the respective boards of directors.

(a) Statutory surplus reserve

The subsidiaries in the PRC are required to transfer 10% of their net profit, as determined in accordance with the PRC accounting rules and regulations, to statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of their registered capital.

(b) Enterprise development fund

Two of the subsidiaries in the PRC are required to transfer 1.5% of its net profit, as determined in accordance with the PRC accounting rules and regulations, to enterprise development fund. This fund can only be utilised on capital items for the collective benefits of the subsidiary's employees such as the construction of dormitories, canteen and other staff welfare facilities. This fund is non-distributable other than on liquidation. The transfer to this fund must be made before distribution of a dividend to shareholders.

(e) Distributability of reserves

At 31 December 2006, the aggregate amount of the Group's reserves available for distribution to equity shareholders of the Company was $Nil (2005: $112,540,000).

28 Financial instruments

Exposures to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade debtors. Management has a credit policy in place and the exposures to the credit risk is monitored on an ongoing basis.

Credit evaluations are performed on all customers requiring credit over a certain amount. These debtors are generally 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.

At the balance sheet date, the Group has certain concentration of credit risk as 11.6% (2005: 30.1%) and 40.6% (2005: 62.1%) of the total trade debtors was due from the Group's largest customer and the five largest customers respectively.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks to meet its liquidity requirements in the short term and long term. The Group has total committed bank facilities of $482,087,000 (2005: $1,426,340,000), of which $6,100,000 (2005: $463,028,000) were undrawn at 31 December 2006.

The directors have considered the future liquidity of the Group in view of its net 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.

28 Financial instruments (continued)

(c) Interest rate risk

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or the maturity dates, if earlier.

The Group

	2006		2005	
	Effective interest rate %	**1 year or less '000**	Effective interest rate %	1 year or less '000
Repricing dates for assets/(liabilities) which reprice before maturity				
Cash and cash equivalents	**1.15**	**22,312**	0.82	118,156
Bank loans	**6.26**	**(475,987)**	5.43	(963,312)

The Company

	2006		2005	
	Effective interest rate %	**1 year or less '000**	Effective interest rate %	1 year or less '000
Repricing dates for assets which reprice before maturity				
Cash and cash equivalents	**1.67**	**120**	2.35	475

28 Financial instruments (continued)

(d) Commodity price risk

The Group is exposed to price risks arising from any unexpected increase in the prices of oil commodities before committing to purchase of raw materials and any unexpected decreases in the prices of oil commodities following completion of purchases.

To protect the Group from the impact of price fluctuations in oil commodities, commodity derivative contracts are entered into with independent futures trading agents. Changes in the fair value of commodity derivative contracts that economically hedge the price fluctuations in oil commodities and for which no hedge accounting is applied are recognised in profit or loss. Further details of these commodity derivative contracts are set out in note 21 to the financial statements.

(e) Foreign currency risk

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily United States Dollars ("USD"). The directors do not expect any significant movement in the USD/RMB and USD/HKD exchange rates. In addition, the directors ensure that the net exposure is kept to an acceptable level by buying or selling USD at spot rates where necessary to address short-term imbalances.

(f) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2006.

The following summaries the major methods and assumptions used in estimating the fair values of financial instruments:

(i) Commodity derivatives

Commodity derivatives contracts are marked to market using open market prices.

(ii) Bank loans

The carrying amounts of bank loans are estimated approximate their fair value.

29 Notes to the consolidated cash flow statement

The Group disposed of a subsidiary related to production and sale of edible oils and related services to an independent third party in August 2006 at a consideration of $49,461,000. A loss on disposal of $13,349,000 is charged to profit or loss.

The disposal had the following effect on the Group's assets and liabilities.

	2006 '000
Net assets disposed of	
Fixed assets	
– Property, plant and equipment	142,165
– Interests in leasehold land held for own use under operating leases	20,975
Deposits paid for acquisition of fixed assets	1,120
Construction in progress	1,698
Inventories	57,724
Trade and other receivables, deposits and prepayments	60,205
Pledged bank deposits	4,902
Cash and cash equivalents	30,140
Trade and other payables	(184,348)
Bank loans	(68,627)
	65,954
Release of reserves	(3,144)
	62,810
Loss on disposal of a subsidiary	(13,349)
	49,461
Satisfied by	
Cash	49,461
Analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	
Cash and cash equivalents disposed	(30,140)
Cash consideration received	49,461
	19,321

30 Commitments

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

	2006	2005
	'000	'000
Contracted for	**60,294**	117,194

Included in capital commitments at 31 December 2006 is an amount of $48,745,000 (2005: $51,379,000) relating to interest in certain PRC subsidiaries which were classified as a disposal group held for sale (note 22(b)).

(b) At 31 December 2006, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	2006	2005
	'000	'000
Within 1 year	**3,183**	7,060
After 1 year but within 5 years	**9,253**	11,988
After 5 years	**10,938**	12,970
	23,374	32,018

Significant leasing arrangements in respect of land and buildings classified as being held under finance leases and land held under operating leases are described in note 14. Apart from these leases, the Group is the lessee in respect of a number of properties and items of machinery and equipment for an initial period of one to thirty years. None of the leases includes contingent rentals.

Included in total future minimum lease payments at 31 December 2006 is an amount of $21,413,000 (2005: $26,795,000) relating to interest in certain PRC subsidiaries which were classified as a disposal group held for sale (note 22(b)).

(c) At 31 December 2006, the Company had commitments to contribute capital of $359,620,000 (2005: $396,474,000) (equivalent to US$49,105,000 (2005: US$50,830,000)) for setting up eight (2005: nine) wholly owned subsidiaries in the PRC.

Included in the commitments at 31 December 2006 is an amount of $99,100,000 (2005: $Nil) relating to certain PRC subsidiaries which were classified as a disposal group held for sale (note 22(b)).

(d) The Company has given guarantees to banks to secure facilities of $Nil (2005: $588,900,000) granted to a subsidiary, of which $Nil (2005: $137,575,000) was utilised at 31 December 2006.

31 Litigation

(a) In December 2006, a PRC independent third party filed a claim against a PRC subsidiary of the Group alleging that the subsidiary had sold inventories originally held on behalf of the PRC independent third party without its prior consent. The claim was calculated at the market price of inventories sold, plus a 10% penalty on the breach of contract, totalling $141,856,000. In this connection, the High People's Court of Jiangsu Province ("江蘇省高級人民法院") has ordered to freeze certain assets of the PRC subsidiary amounted to $130,000,000 (RMB130,000,000). A provision of $142,847,000, representing the market price of inventories sold, 10% penalty on the breach of contract, and provision for legal and related expenses, was included in "liabilities directly associated with assets of a disposal group classified as held for sale-trade and other payables" in the balance sheet. The Group is negotiating with the same party to dispose of its entire interest in certain PRC subsidiaries. The disposal is expected to be completed in 2007, and the frozen assets will then be released upon completion of the disposal. The litigation is still in progress up to the date of approval of these financial statements.

Based on the available information to date, the directors are of the opinion that upon the completion of the disposal, the litigation will be withdrawn by the PRC independent third party, and that the provision as at 31 December 2006 is adequate with no further provision for legal claims considered necessary.

The directors have been advised by their external legal counsel that there is no material obstacle observed which hinders both parties in reaching a compromise with a view to consummating the disposal.

(b) In December 2006, a PRC independent third party filed a claim at the First Intermediate People's Court of Shanghai City ("上海市第一中級人民法院") against a Hong Kong subsidiary of the Group, in connection with a delayed shipment under a sales contract entered into between the PRC independent third party and the Hong Kong subsidiary. The claim consisted of a discount on original sales value requested by the PRC independent third party of $280,000, and related port charges arose from the delayed shipment of $84,000. A provision of $280,000 in respect of the discount on original sales value was included in trade and other payables in the balance sheet.

Based on the available information to date, the directors are of the opinion that other than the agreed discount on original sales value, no further provision for legal claim is considered necessary, as the directors have been advised by their external legal counsel that the case will not be concluded in a short period of time and the outcome is uncertain.

32 Material related party transactions

During the year, transactions with the following parties are considered as related party transactions.

Name of party	Relationship
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)
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)

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 year are as follows:

(a) Recurring

	2006	2005
	'000	'000
Discontinued operations:		
Storage usage fees paid to:		
Jiangsu Zheng Feng Oils and Fats Storage Co., Ltd.	**2,804**	2,700

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

32 Material related party transactions (continued)

(b) Non-recurring

(1) *Continuing operations:*

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 in consideration of $12,060,000 (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 $9,807,000 (RMB9,807,000) is included as capital commitment of the Group. The Office is currently occupied by 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 $4,031,000 for the period from 20 March 2004 to 31 December 2006. 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.

(2) *Discontinued operations:*

During the year, certain land use rights situated in Zhenjiang, the PRC were sold to Jiangsu Zheng Feng Oils and Fats Storage Co. Ltd at a consideration of $386,000 (RMB386,000) which resulted a gain of disposal amount of $64,000.

(c) Amount due to a related company

Discontinued operations:

	2006 '000	2005 '000
Jiangsu Zheng Feng Oils and Fats Storage Co., Ltd.	**738**	–

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

(d) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	2006 '000	2005 '000
Short-term employee benefits	**5,202**	9,938
Post-employment benefits	**122**	146
Equity compensation benefits	**1,643**	5,040
	6,967	15,124

Total remuneration is included in "staff costs" (see note 5(b)).

32 Material related party transactions (continued)

(e) Amount due to a substantial shareholder

	2006	2005
	'000	'000
Substantial shareholder – Mr Lim Wa	**2,600**	–

The amount due to a substantial shareholder, included in "liabilities directly associated with assets of a disposal group classified as held for sale-trade and other payables" (see note 22), is unsecured, interest free and has no fixed terms of repayment.

33 Post balance sheet events

(a) PRC tax reform

On 16 March 2007, the Fifth Plenary Session of the Tenth NPC passed the Corporate Income Tax Law of the PRC ("new tax law") which will take effect on 1 January 2008. Details of the existing PRC income tax rate and preferential tax policies are set out in note 6. From 1 January 2008, the applicable income tax rate for the Group's PRC subsidiaries is expected to gradually increase to the standard rate of 25%. However, the new tax law has not set out the details as to how the existing preferential tax rate will gradually increase to the standard rate of 25%. Consequently, the Group is not able to make an estimate of the expected financial effect of the new tax law on its deferred tax assets and liabilities. The expected financial effect of the new tax law, if any, will be reflected in the Group's 2007 financial statements. The enactment of the new tax law is not expected to have any financial effect on the amounts accrued in the balance sheet in respect of current tax payable.

(b) Pledge of shares by the ultimate controlling party

On 31 January 2007 and 29 March 2007, the ultimate controlling party of the Group, Aswell Group Limited, entered into a share pledge agreement and a deed of share charge respectively with the principal bankers of the Group whereby 430,000,000 ordinary shares of the Company (the "Shares") out of the 468,200,000 ordinary shares held by it in favour of the bankers, were pledged to secure against banking facilities up to $154,000,000 (RMB154,000,000) granted to a PRC subsidiary of the Group. Further details in relation to the pledges of shares are set out in the Company's announcements dated 31 January 2007 and 30 March 2007, respectively.

(c) Default on repayments of bank loans

As disclosed in note 24(b) to the financial statements, the Group defaulted on the repayments of certain bank loans after the balance sheet date. As at the approval date of these financial statements, the Group is still negotiating with its principal bankers and the prospective investors to finance its financial requirements.

34 Comparative figures

Certain comparative figures have been adjusted or re-classified as a result of the discontinued operations of edible oils fractionation and refining.

35 Immediate and ultimate controlling party

At 31 December 2006, the directors consider the immediate parent and ultimate controlling party of the Group to be Aswell Group Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

36 Accounting estimates and judgements

The method, estimates and judgements the directors use in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgements, on matters that are inherently uncertain. In addition to note 28 which contains information about the assumptions and the risk factors relating to fair value of share options granted, and note 1(b) which contains information about the assumptions relating to the preparation of the financial statements on a going concern basis, certain critical accounting judgements in applying the Group's accounting policies are described below.

(a) Depreciation and amortisation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews annually the useful life of an asset and its residual value, if any. Interests in leasehold land held for own use under operating leases are amortised on a straight-line basis over the shorter of the estimated useful lives of the leased assets and the lease term. Both the period and methods of amortisation are reviewed annually. The depreciation and amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

(b) Valuation of inventories

Inventories are stated at the lower of cost and net realisable value at the balance sheet date. Net realisable value is determined on the basis of the estimated selling price less the estimated costs necessary to make the sale. The directors estimate the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. In addition, the directors perform an inventory review on a product-by-product basis at each year end date and assess the need for write down of inventories.

36 Accounting estimates and judgements (continued)

(c) Impairments

In considering the impairment losses that may be required for certain of the Group's property, plant and equipment, recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of sales volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sales volume, selling price and amount of operating costs.

Impairment losses for bad and doubtful debts are assessed and provided based on the directors' regular review of ageing analysis and evaluation of collectively. A considerable level of judgement is exercised by the directors when assessing the credit worthiness and past collection history of each individual customer.

An increase or decrease in the above impairment losses would affect the net profit in future years.

(d) Commodity derivative contracts

In determining the fair value of the commodity derivative contracts, considerable judgement is required to interpret market data used in valuation techniques. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

(e) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the balance sheet date. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

(Expressed in Hong Kong dollars unless otherwise indicated)

37 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2006

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2006 and which have not been adopted in these financial statements.

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

In addition, the following developments may result in new or amended disclosures in the financial statements:

		Effective for accounting periods beginning on or after
HK(IFRIC 7)	Applying the restatement approach under IAS 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
HK(IFRIC 10)	Interim financial reporting and impairment	1 November 2006
HK(IFRIC 11)	HKFRS 2 – Group and treasury share transactions	1 March 2007
HK(IFRC 12)	Service concession arrangements	1 January 2008
HKFRS 7	Financial instruments: disclosures	1 January 2007
HKFRS 8	Operating segments	1 January 2009
Amendment to HKAS 1	Presentation of financial statements: capital disclosures	1 January 2007