



CHINA FORCE OIL & GRAINS INDUSTRIAL HOLDINGS CO., LTD.
中盛糧油工業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1194)



INTERIM REPORT

2007

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INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of China Force Oil & Grains Industrial Holdings Co., Ltd. (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (together the “Group”) for the six months ended 30 June 2007 together with the unaudited comparative figures for the six months ended 30 June 2006.

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007– unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2007 \$'000	2006 \$'000 (restated)
Continuing operations			
Turnover	2	66,268	110,440
Cost of sales		(60,959)	(110,119)
Gross profit		5,309	321
Other revenue		94	589
Other net income/(loss)		432	(227)
Selling and distribution costs		(6,023)	(8,400)
Administrative expenses		(12,546)	(22,489)
Loss from operations		(12,734)	(30,206)
Finance costs	4(a)	(1,062)	(2,832)
Loss before taxation	4	(13,796)	(33,038)
Income tax	5	–	(1,736)
Loss for the period from continuing operations		(13,796)	(34,774)
Discontinued operations			
Profit/(loss) for the period from discontinued operations	6	55,382	(68,930)
Profit/(loss) for the period	15	41,586	(103,704)
Earnings/(loss) per share			
From continuing and discontinued operations	8	5.2 cents	(13.0) cents
From continuing operations		(1.7) cents	(4.4) cents
From discontinued operations		6.9 cents	(8.6) cents

The notes on pages 8 to 31 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET

At 30 June 2007 – unaudited

(Expressed in Hong Kong dollars)

	Note	At 30 June 2007 \$'000	At 31 December 2006 \$'000
Non-current assets			
Fixed assets	9		
– Property, plant and equipment		79,706	77,547
– Interests in leasehold land held for own use under operating leases		21,619	21,231
Deposits paid for acquisition of fixed assets		22	7,377
Construction in progress		1,036	10,609
		102,383	116,764
Current assets			
Inventories		11,006	20,813
Trade and other receivables, deposits and prepayments	10	36,817	63,677
Other deposits	11	10	10
Cash and cash equivalents		4,980	9,769
		52,813	94,269
Non-current assets and assets of a disposal group classified as held for sale	12	590,983	504,790
		643,796	599,059
Current liabilities			
Trade and other payables	13	66,742	85,457
Amount due to a related company	17(c)	546	738
Bank loans	14	188,556	214,951
		255,844	301,146
Liabilities directly associated with assets of a disposal group classified as held for sale	12	506,643	472,465
		762,487	773,611
Net current liabilities		(118,691)	(174,552)
NET LIABILITIES		(16,308)	(57,788)

CONSOLIDATED BALANCE SHEET (CONTINUED)

At 30 June 2007 – unaudited

(Expressed in Hong Kong dollars)

	Note	At 30 June 2007 \$'000	At 31 December 2006 \$'000
CAPITAL AND RESERVES	15		
Share capital		100,000	100,000
Reserves		(132,935)	(176,163)
Amounts recognised directly in equity relating to non-current assets and a disposal group classified as held for sale		16,627	18,375
TOTAL EQUITY		(16,308)	(57,788)

The notes on pages 8 to 31 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007 – unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2007 \$'000	2006 \$'000
Total equity at 1 January		(57,788)	258,956
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	15	(2,253)	1,063
Net profit/(loss) for the period	15	41,586	(103,704)
Movements in equity arising from capital transactions:			
Equity settled share-based transactions	15	2,147	3,626
Total equity at 30 June		(16,308)	159,941

The notes on pages 8 to 31 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2007 – unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2007 \$'000	2006 \$'000
Cash generated from operations		69,459	224,618
Tax paid		-	-
Net cash generated from operating activities		69,459	224,618
Net cash used in investing activities		(446)	(33,746)
Net cash used in financing activities		(85,689)	(246,209)
Net decrease in cash and cash equivalents		(16,676)	(55,337)
Cash and cash equivalents at 1 January		22,312	118,156
Cash and cash equivalents included in assets of a disposal group classified as held for sale	12	(1,319)	(6,984)
Effect of foreign exchange rate changes		663	517
Cash and cash equivalents at 30 June		4,980	56,352

The notes on pages 8 to 31 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issuance on 24 September 2007.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2006 annual financial statements.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2006 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company and by the auditors, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity”, issued by the HKICPA. KPMG’s review report to the board of directors is included on pages 32 and 33.

1 BASIS OF PREPARATION (CONTINUED)

The financial information relating to the financial year ended 31 December 2006 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2006 are available from the Company's registered office. The auditors did not express an opinion in their report dated 24 April 2007 on those financial statements as to whether they give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2006 and of the Group's loss and cash flows for the year then ended in accordance with HKFRSs due to the fact that the uncertainty surrounding the outcome of the Group's negotiations with its principal bankers and prospective investors to secure continual financial support and to obtain new capital raised significant doubt about the Company's ability to continue as a going concern. After considering the developments in respect of the disposal of subsidiaries and certain refinery, fractionations, distributions and related assets subsequent to the issuance of the independent auditor's report on 24 April 2007, the auditors expressed a clean opinion on the consolidated financial statements for the year ended 31 December 2006 for the purpose of their report dated 29 June 2007 on the financial information on the Group included in the Company's Circular dated 29 June 2007.

In preparing the interim financial report, the directors have considered the future liquidity of the Group in view of its net liabilities position as at 30 June 2007. The Group incurred a consolidated net loss from continuing operations attributable to equity holders of the Company of approximately \$13,796,000 for the six months ended 30 June 2007 and had consolidated net current liabilities of approximately \$118,691,000 and \$174,552,000 and consolidated net liabilities of approximately \$16,308,000 and \$57,788,000 as at 30 June 2007 and 31 December 2006 respectively. In addition, the Group breached a covenant of one of the banking facilities during the six months ended 30 June 2007 and defaulted on the repayments of certain bank loans since November 2006 as disclosed in note 14. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the directors are of the opinion that the Group will be able to finance its future working capital and financial requirements given that:

- (i) a share transfer agreement ("Share Transfer") and a disposal master agreement (the "Disposal") were completed in August 2007;
- (ii) the defaulted bank loans were fully repaid subsequent to the completion of (i) above;

1 BASIS OF PREPARATION (CONTINUED)

- (iii) the Group has been actively negotiating with its principal bankers to secure continual support and the directors expect that those 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; and
- (iv) based on a cash flow forecast prepared by the Group's management for the twelve months ending 30 June 2008, the Group will be able to generate adequate cash flows from its continuing operations.

Accordingly, the directors are of the opinion that it is appropriate to prepare the interim financial report for the six months ended 30 June 2007 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 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 interim financial report.

2 TURNOVER

The Group is principally engaged in sale of small pack edible oils and trading of edible oil and related products in the PRC.

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

Turnover recognised during the period is analysed as follows:

	Six months ended 30 June	
	2007	2006
	\$'000	\$'000
Continuing operations:		
Sales of		
– Small pack edible oils	30,754	40,818
Trading of		
– Crude soyabean oil	3,440	–
– Crude palm oil	31,287	–
– Other edible oils and related products	787	69,622
	66,268	110,440
Discontinued operations (note 6):		
Sales of		
– Soyabean oil	497	661,354
– Palm oil	298	58,944
– Other edible oils and related products	2,346	4,047
Logistics and storage charges	12,727	9,370
Processing charges of edible oil products	3,848	5,044
	19,716	738,759
	85,984	849,199

3 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.

(a) Business segments

The Group comprises the following main business segments:

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

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

Trading of edible oils and related products.

	Discontinued operations		Continuing operations						Consolidated	
	Edible oils		Small pack		Trading of edible oils		Inter-segment			
	fractionation and refining		edible oils		and related products		elimination			
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
For the six months ended 30 June										
Revenue from external customers	19,716	738,759	30,754	40,818	35,514	69,622	-	-	85,984	849,199
Inter-segment revenue	496	43,160	189	148	265	129,356	(950)	(172,664)	-	-
Total	20,212	781,919	30,943	40,966	35,779	198,978	(950)	(172,664)	85,984	849,199
Segment result	69,532	(40,396)	(6,838)	(8,986)	(5,896)	(21,220)	-	-	56,798	(70,602)
Finance costs	(14,150)	(21,230)	(1,062)	(744)	-	(2,088)	-	-	(15,212)	(24,062)
Income tax	-	(7,304)	-	649	-	(2,385)	-	-	-	(9,040)
Profit/(loss) from operations									41,586	(103,704)

(b) Geographical segments

The Group's turnover and loss from operations derived from activities outside the People's Republic of China ("PRC") were insignificant. Accordingly, no analysis by geographical segment is provided.

4 (LOSS)/PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2007 \$'000	2006 \$'000
(a) Finance costs:		
Continuing operations:		
Interest expense on bank advances and other borrowings wholly repayable within five years	1,062	2,828
Discounting charges	-	4
	1,062	2,832
Discontinued operations (note 6):		
Interest expenses on bank advances and other borrowings wholly repayable within five years	14,150	21,052
Discounting charges	-	178
	14,150	21,230
(b) Other items:		
Continuing operations:		
Amortisation of land lease premium	266	305
Depreciation	3,127	2,634
Realised loss on commodity derivative contracts	-	25
Operating lease charges in respect of properties	1,085	4,371
Discontinued operations (note 6):		
Amortisation of land lease premium	-	721
Depreciation	-	18,074
Impairment losses for bad and doubtful debts	4,055	502
Impairment losses on non-current assets	-	15,004
Written back of impairment losses for bad and doubtful debts	(73,673)	-
Operating lease charges in respect of properties	701	2,538

5 INCOME TAX

	Six months ended 30 June	
	2007	2006
	\$'000	\$'000
Continuing operations:		
Deferred taxation	-	1,736
Discontinued operations (note 6):		
Deferred taxation	-	7,304

No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax during the six months ended 30 June 2007 and 2006.

The PRC income tax has been calculated at the prevailing income tax rates under the relevant PRC income tax rules and regulations applicable to the subsidiaries. Certain subsidiaries were granted exemptions and relief from PRC income tax by the relevant local tax bureau. No provision for PRC income tax has been made as the subsidiaries in the PRC sustained losses for tax purposes during the six months ended 30 June 2007 and 2006.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

6 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 Oils & Grains Industrial (Dongguan) Co., Ltd. ("China Force (Dongguan)") to PRC independent third parties resulting in a net loss on disposal of \$13,349,000 in August 2006 and the transfer of the entire equity interests in China Force Oils & Grains (Tianjin) Industry Co., Ltd. (the "Share Transfer") and the disposal of certain edible oils refinery, fractionation, distribution and related assets in China Force Oils & Grains Industrial (Zhenjiang) Co., Ltd. (the "Disposal") in August 2007. Further details in relation to the above disposals are set out in the Company's circulars dated 14 July 2006 and 29 June 2007.

6 DISCONTINUED OPERATIONS (CONTINUED)

The results of the discontinued operations for the six months ended 30 June 2007 and 2006 are as follows:

	Note	Six months ended 30 June	
		2007 \$'000	2006 \$'000
Turnover	2	19,716	738,759
Cost of sales		(8,210)	(732,361)
Gross profit		11,506	6,398
Written back of impairment losses for bad and doubtful debts		73,673	–
Other revenue		342	608
Other net income		450	325
Impairment losses on non-current assets	(a), (b)	–	(15,004)
Selling and distribution costs		(3,565)	(19,935)
Administrative expenses		(12,874)	(12,788)
Profit/(loss) from operations		69,532	(40,396)
Finance costs	4(a)	(14,150)	(21,230)
Profit/(loss) before taxation	4	55,382	(61,626)
Income tax	5	–	(7,304)
Profit/(loss) for the period		55,382	(68,930)

Notes:

- During the six months ended 30 June 2006, the carrying amounts of certain construction materials were written down by \$6,957,000 as the related construction project had been suspended.
- In June 2006, the Group entered into a share transfer agreement with an independent third party to dispose of its entire interest in China Force (Dongguan) at a consideration of \$61,749,000 (RMB63,910,000). The disposal was completed in August 2006. Accordingly, the related assets and liabilities of China Force (Dongguan) have been presented as a disposal group held for sale as at 30 June 2006. Immediately before classification as disposal group held for sale, based on the agreed disposal proceeds, the carrying amount of the non-current assets within the disposal group has been written down by \$8,047,000 to reflect their recoverable value.

7 DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2007 (2006: \$Nil).

8 BASIC EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

From continuing and discontinued operations

The calculation of basic earnings/(loss) per share is based on the profit attributable to shareholders of \$41,586,000 (six months ended 30 June 2006: loss of \$103,704,000) and 800,000,000 ordinary shares in issue during the period (six months ended 30 June 2006: 800,000,000).

From continuing operations

The calculation of basic loss per share is based on the loss attributable to shareholders of \$13,796,000 (six months ended 30 June 2006: loss of \$34,774,000) and 800,000,000 ordinary shares in issue during the period (six months ended 30 June 2006: 800,000,000).

From discontinued operations

The calculation of basic earnings/(loss) per share is based on the profit attributable to shareholders of \$55,382,000 (six months ended 30 June 2006: loss of \$68,930,000) and 800,000,000 ordinary shares in issue during the period (six months ended 30 June 2006: 800,000,000).

(b) Diluted earnings/(loss) per share

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

9 FIXED ASSETS

- (a) During the six months ended 30 June 2007, the Group acquired items of property, plant and equipment with a cost of \$460,000 (six months ended 30 June 2006: \$1,548,000). Items of property, plant and equipment with a net book value of \$1,399,000 were disposed of during the six months ended 30 June 2007 (six months ended 30 June 2006: \$815,000), resulting in a gain on disposal of \$429,000 (six months ended 30 June 2006: loss of \$16,000).

- (b) Certain interests in leasehold land held for own use under operating leases, buildings held for own use carried at cost, and machinery and equipment are pledged to banks for certain banking facilities granted to the Group as disclosed in note 14.

10 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

	At 30 June 2007 \$'000	At 31 December 2006 \$'000
Within 3 months	6,470	30,570
More than 3 months overdue but less than 6 months overdue	2,067	3,412
More than 6 months overdue but less than 12 months overdue	2,659	1,316
Over 1 year	606	–
Total debtors and bills receivable, net of impairment losses	11,802	35,298
Prepayments for purchases of raw materials	467	263
Deposits and other receivables	24,548	28,116
	36,817	63,677
Assets of a disposal group classified as held for sale (note 12)	101,293	43,218
	138,110	106,895

Credit evaluations are performed on all customers requiring credit over a certain amount. Customers 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.

11 OTHER DEPOSITS

The Group has placed deposits of \$10,000 (31 December 2006: \$10,000) with independent futures trading agents for commodity derivative contracts entered into in the normal course of business primarily to protect the Group from the impact of price fluctuations in oil commodities.

At 30 June 2007, the Group did not have any outstanding commodity derivative contracts (31 December 2006: \$Nil).

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

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

	Note	At 30 June 2007 \$'000	At 31 December 2006 \$'000
Non-current assets classified as held for sale	(a)	1,671	5,420
Assets of a disposal group classified as held for sale	(b)		
Fixed assets		346,158	292,121
Deposits paid for acquisition of fixed assets		13,496	41,019
Construction in progress		95,759	83,041
Inventories		4,483	4,428
Trade and other receivables, deposits and prepayments	10	101,293	43,218
Pledged bank deposits		26,804	23,000
Cash and cash equivalents		1,319	12,543
		589,312	499,370
		590,983	504,790
Liabilities directly associated with assets of a disposal group classified as held for sale	(b)		
Trade and other payables	13	(401,488)	(211,429)
Bank loans	14	(105,155)	(261,036)
		(506,643)	(472,465)

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

Notes:

- (a) The non-current assets classified as held for sale represent an item of equipment with carrying amount of \$1,671,000 (31 December 2006: items of equipment of \$5,420,000). As the carrying amount of this equipment will be recovered through sale transaction, it has been presented as non-current assets held for sale as at 30 June 2007. As the expected disposal proceed is to exceed its carrying amount, no impairment loss has been recognised immediately before the classification of the non-current assets held for sale.
- (b) The Group agreed with certain 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 18(a)). Accordingly, certain assets of a subsidiary totalling \$134,021,000 were ordered to be frozen by a PRC local court. The Group agreed with the same party to dispose of certain non-current assets and its entire interest in certain PRC subsidiaries. On 4 June 2007, the Group and the PRC independent third party reached a conciliation agreement under the conciliation of the PRC local court. The disposal was completed in August 2007 and the frozen assets were released. Accordingly, the related assets and liabilities of the PRC subsidiary have been presented as a disposal group held for sale as at 30 June 2007. 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.

13 TRADE AND OTHER PAYABLES

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

	At 30 June 2007 \$'000	At 31 December 2006 \$'000
Due within 3 months	16,813	20,731
Trade creditors and bills payable	16,813	20,731
Accrued charges and other payables	47,996	56,457
Receipts in advance	1,933	8,269
	66,742	85,457
Liabilities directly associated with assets of a disposal group classified as held for sale (note 12)	401,488	211,429
	468,230	296,886

14 BANK LOANS

At 30 June 2007, the bank loans were repayable within 1 year or on demand and analysed as follows:

Continuing operations:

	At 30 June 2007			At 31 December 2006		
	Book value of pledged assets	Interest rate	Bank loans	Book value of pledged assets	Interest rate	Bank loans
	\$'000	%	\$'000	\$'000	%	\$'000
Bank loans secured by						
Fixed assets	27,341	6.73 – 8.31	33,505	59,745	6.12 – 7.04	75,400
Bank deposits	-	-	-	23,000	5.70 – 5.70	21,889
Discounted bills with recourse	-	-	-	2,662	3.84 – 3.84	2,662
Interest in subsidiaries	-	-	-	50,218	5.76 – 6.14	75,000
			33,505			174,951
Unsecured bank loans						
Repayable						
– Within 1 year	-	5.76 – 7.03	155,051	-	6.44 – 6.44	40,000
			188,556			214,951

14 BANK LOANS (CONTINUED)

Liabilities directly associated with assets of a disposal group classified as held for sale (note 12):

	At 30 June 2007			At 31 December 2006		
	Book value of pledged assets	Interest rate	Bank loans	Book value of pledged assets	Interest rate	Bank loans
	\$'000	%	\$'000	\$'000	%	\$'000
Bank loans secured by						
Fixed assets	75,160	6.73 – 6.73	105,155	140,093	5.58 – 9.21	261,036

- (a) As at 30 June 2007, bank loans totalling approximately \$155,051,000 were overdue (31 December 2006: \$25,036,000). The Group 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 and charge an average additional interest rate of 2.96%. These overdue bank loans were fully repaid before the approval of this interim financial report.
- (b) As at 30 June 2007 and up to the date of approval of this interim financial report, the Group has breached a covenant of a fully utilised bank facility amounting to \$18,000,000 and the loans under this facility might become repayable on demand. The Group has been actively negotiating with the respective banker extension of the loans. As at the approval date of this interim financial report, the Group is still negotiating with the respective banker to arrange for extension of the loans.

15 CAPITAL AND RESERVES

	Share capital \$'000	Share premium \$'000	Statutory reserves \$'000	Capital reserve \$'000	Exchange reserve \$'000	Accumulated losses \$'000	Amounts recognised directly in equity relating to assets of a disposal group classified as held for sale \$'000	Total \$'000
At 1 January 2006	100,000	267,223	32,488	13,928	4,643	(159,326)	-	258,956
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	-	-	-	-	1,063	-	-	1,063
Amounts recognised directly in equity relating to non-current assets and assets of a disposal group as held for sale	-	-	(23)	-	(1,965)	-	1,988	-
Equity settled share-based transactions - Amount recognised during the period	-	-	-	3,626	-	-	-	3,626
Loss for the period	-	-	-	-	-	(103,704)	-	(103,704)
At 30 June 2006	100,000	267,223	32,465	17,554	3,741	(263,030)	1,988	159,941
At 1 January 2007	100,000	267,223	15,924	19,945	2,865	(482,120)	18,375	(57,788)
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	-	-	-	-	(505)	-	(1,748)	(2,253)
Equity settled share-based transactions - Amount recognised during the period	-	-	-	2,147	-	-	-	2,147
- Forfeiture of share options	-	-	-	(371)	-	371	-	-
Profit for the period	-	-	-	-	-	41,586	-	41,586
At 30 June 2007	100,000	267,223	15,924	21,721	2,360	(440,163)	16,627	(16,308)

16 COMMITMENTS

- (a) Capital commitments, representing purchase of property, plant and equipment, not provided for in the interim financial report were as follows:

	At 30 June 2007 \$'000	At 31 December 2006 \$'000
Contracted for	35,637	60,924

Included in capital commitments at 30 June 2007 was an amount of \$24,523,000 (31 December 2006: \$48,745,000) relating to interest in certain PRC subsidiaries which were classified as a disposal group held for sale (note 12).

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

	At 30 June 2007 \$'000	At 31 December 2006 \$'000
Within 1 year	2,512	3,183
After 1 year but within 5 years	6,381	9,253
After 5 years	5,448	10,938
	14,341	23,374

Included in total future minimum lease payments at 30 June 2007 was an amount of \$12,669,000 (31 December 2006: \$21,413,000) relating to interest in certain PRC subsidiaries which were classified as a disposal group held for sale (note 12).

16 COMMITMENTS (CONTINUED)

- (c) At 30 June 2007, the Company has commitments to contribute capital of \$359,620,000 (31 December 2006: \$359,620,000) for setting up eight (31 December 2006: eight) wholly owned subsidiaries in the PRC.

Included in the commitments at 30 June 2007 was an amount of \$99,100,000 (31 December 2006: \$99,100,000) relating to certain PRC subsidiaries which were classified as a disposal group held for sale (note 12).

17 MATERIAL RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2007, 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 elder sister of Mr Lim Wa.

17 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

(a) Storage usage fees

	Six months ended 30 June	
	2007	2006
	\$'000	\$'000
Discontinued operations:		
Storage usage fees paid to:		
Jiangsu Zheng Feng Oils and Fats Storage Co., Ltd.	-	1,382

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

(b) Acquisition of an office unit

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 \$12,433,000 (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 \$10,110,000 (RMB9,807,000) is included as capital commitment of the Group. The Office is currently occupied by Beijing China Force Huarui Management Consultant Co., Ltd. ("China Force (Beijing)").

17 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

(b) Acquisition of an office unit (continued)

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 \$4,640,000 for the period from 20 March 2004 to 30 June 2007. Based on the opinion from the Group's external legal counsel, the directors are of the opinion that there would not be other significant liabilities other than the above.

(c) Amount due to a related company

	At 30 June 2007 \$'000	At 31 December 2006 \$'000
Discontinued operations:		
Jiangsu Zheng Feng Oils and Fats Storage Co., Ltd.	546	738

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

17 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors is as follows:

	Six months ended 30 June	
	2007	2006
	\$'000	\$'000
Short-term employee benefits	2,968	4,227
Post-employment benefits	69	85
Equity compensation benefits	761	1,485
	3,798	5,797

(e) Amount due to a substantial shareholder

	At	At
	30 June	31 December
	2007	2006
	\$'000	\$'000
Substantial shareholder		
– Mr Lim Wa	2,711	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 (see note 12), is unsecured, interest free and has no fixed terms of repayment.

18 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 \$134,021,000 (RMB130,000,000). A provision of \$146,048,000, 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 agreed with the same party to dispose of certain refinery, fractionation, distribution and related assets and its entire interest in certain PRC subsidiaries and the consideration will be offset against the above provision. On 4 June 2007, the Group and the PRC independent third party reached a conciliation agreement under the conciliation of the High People's Court of Jiangsu Province. The disposal was subsequently completed in August 2007 and the frozen assets were then released.

Based on the available information to date, the directors are of the opinion that the provision as at 30 June 2007 is adequate with no further provision for legal claims considered necessary.

- (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 at 30 June 2007.

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.

19 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDING 31 DECEMBER 2007

Up to the date of issue of this interim financial report, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the annual accounting period ending 31 December 2007:

		Effective for accounting periods beginning on or after
HK(IFRIC 11)	HKFRS 2 – Group and treasury share transactions	1 March 2007
HK(IFRIC 12)	Service concession arrangements	1 January 2008
HKFRS 8	Operating segments	1 January 2009
HKAS 23 (revised)	Borrowing costs	1 January 2009

The above amendments, new standards and interpretations were not applied in this interim financial report because the directors expect that the Group will not early apply them when preparing the Group's annual financial statements for the year ending 31 December 2007.

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.



REVIEW REPORT

**To the board of directors of
China Force Oil & Grains Industrial Holdings Co., Ltd.**

INTRODUCTION

We have reviewed the interim financial report set out on pages 3 to 31, which comprises the consolidated balance sheet of China Force Oil & Grains Industrial Holdings Co., Ltd. as of 30 June 2007 and the related consolidated statements of income, and changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2007 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim financial reporting”.

EMPHASIS OF MATTER

Without qualifying our conclusion, we draw attention to Note 1 to the interim financial report which indicates that the Group incurred a consolidated net loss from continuing operations attributable to the equity holders of the Company of approximately HK\$13,796,000 for the six months ended 30 June 2007 and had consolidated net current liabilities of approximately HK\$118,691,000 and HK\$174,552,000 and consolidated net liabilities of approximately HK\$16,308,000 and HK\$57,788,000 as at 30 June 2007 and 31 December 2006 respectively. In addition, the Group breached a covenant of one of the banking facilities during the six months ended 30 June 2007 and defaulted on the repayments of certain bank loans since November 2006. The defaulted bank loans were fully repaid subsequent to the completion of a share transfer agreement and a disposal master agreement in August 2007. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. The interim financial report has been prepared on a going concern basis, the validity of which is dependent on the continual financial support from its principal bankers in order to finance the Group’s future working capital and financial requirements and the assumptions made by the directors that the Group will be able to generate adequate cash flows from its continuing operations. The interim financial report does not include any adjustments that would result from a failure to obtain such support and working capital. We consider that appropriate disclosures have been made.

KPMG

Certified Public Accountants

8th Floor, Prince’s Building

10 Chater Road

Central, Hong Kong

24 September 2007

INTERIM DIVIDEND

The Directors do not declare the payment of an interim dividend (2006: Nil) in respect of the six months ended 30 June 2007.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Group results

Profit attributable to shareholders of the Company (including results of continuing and discontinued operations) was approximately HK\$41,586,000 (2006: (loss of) HK\$103,704,000). Earnings per share amounted to HK5.2 cents (2006: loss per share HK13.0 cents).

Turnover

For the six months ended 30 June 2007, the Group's turnover of continuing operations was approximately HK\$66,268,000 (2006 (restated): HK\$110,440,000).

Selling and distribution expenses

During the period under review, the Group's selling and distribution costs of continuing operations amounted to approximately HK\$6,023,000 (2006 (restated): HK\$8,400,000), representing a decrease of approximately 28.3% over the same period last year. The decrease was resulted from the lowering sales volume and the Group's concentration on reorganisation.

Administrative expenses

Administrative expenses of continuing operations decreased to approximately HK\$12,546,000 (2006 (restated): HK\$22,489,000), representing a decrease of 44.2% as compared with the same period last year. This was mainly due to tighter control by the management over the budget of administrative expenses, including staff cut and layoff. At the same time, upon the Group's business reorganisation, administrative expenses were reduced. The administrative expenses for the six months ended 30 June 2007 included an amount of approximately HK\$2,147,000 which was the fair value of the share options granted to employees recognised as an expense during the period (2006 (restated): HK\$3,626,000).

Finance costs

The Group's finance costs of continuing operations for the period under review amounted to approximately HK\$1,062,000 (2006 (restated): HK\$2,832,000), mainly comprising interest expenses on bank loans. The decrease in finance costs was mainly due to the decrease of bank loans.

Liquidity and financial resources

As at 30 June 2007, the Group's net liabilities amounted to HK\$16,308,000 (31 December 2006: HK\$57,788,000). As at 30 June 2007, the Group's cash and bank deposits of continuing operations amounted to HK\$4,980,000 (31 December 2006: HK\$9,769,000). As at 30 June 2007, the Group's net current liabilities were approximately HK\$118,691,000 (31 December 2006: HK\$174,552,000).

As at 30 June 2007, the Group had total available banking facilities amounted to HK\$33,505,000 and all has been utilised as at that date. The Directors are of the opinion that the Group will be able to finance its future working capital and financial requirements given the measures taken by the Company's management to address the conditions as set out in note 1 to the unaudited interim financial report.

Foreign currency exposure

As the Group's monetary assets, liabilities and transactions are principally denominated in Hong Kong dollars, Renminbi and United States dollars, its exposure to exchange rate risk is considered limited.

Capital structure

The share capital of the Company remained unchanged during the period under review. As at 30 June 2007, the Group's net liabilities was approximately HK\$16,308,000 (31 December 2006: HK\$57,788,000), and the net debts (total borrowings less bank deposits) were HK\$183,576,000 (31 December 2006: HK\$205,182,000). Based on the above, the Group's net gearing ratio was approximately (1,125.6)% (31 December 2006: (355.1)%).

Segmental information

Details of segmental information of the Group as at 30 June 2007 are set out in note 3 to the unaudited interim financial report.

Charges on group assets and bank loans

Details of the assets pledged to secure banking facilities granted to and bank loans the Group are set out in note 14 to the unaudited interim financial report.

OPERATIONAL REVIEW

Disposal of assets and subsidiaries

On 26 April 2007, the Group entered into a share transfer agreement to transfer the entire issued share of China Force Oils & Grains Industrial (Xiamen) Limited ("China Force Xiamen"). Further details in relation to the share transfer are set out in the Company's circular dated 23 May 2007 and 70 percent of the issued shares of China Force Xiamen were completed in July 2007.

On 29 May 2007, the Group entered into a conditional agreement to sell the edible oil refinery, fractional, distribution and certain related assets from China Force Oils & Grains Industrial (Zhenjiang) Co., Ltd., the entire interest of China Force Modern Storage & Transportation (Zhenjiang) Co., Ltd., the entire equity interest of China Force Protein Biotechnology (Zhenjiang) CO., Ltd., and the accounts receivable due from Central Grain Reserve Dongguan Oils & Grains Co., Ltd. On the same day, the Group entered into a share transfer agreement whereby the Group agreed to transfer all the equity interest in China Force Oils & Grains (Tianjin) Industry Co., Ltd. to certain investors. Further details in relation to the above disposals are set out in the Company's circulars dated 14 July 2006 and 29 June 2007. The above disposals were completed in August 2007.

Following the completion of reorganisation transactions, the Group will have no edible oil refinery and fractionation business and the liabilities incurred thereby will be substantially reduced. The principal activities of the Group after the completion of the reorganization transactions will be production and sale of small pack edible oil and trading of other edible oil products.

Small pack oil business

The Group has launched the small pack oil business and commenced sales for two years. For the six months ended 30 June 2007, sales amounted to approximately HK\$30,754,000 for the six months ended (2006: HK\$40,818,000). With regard to profitability, the gross profit of our small pack oil business was HK\$1,305,000 (2006: gross loss of HK\$91,000) and the gross profit per tonne was HK\$376 (2006: gross loss per tonne HK\$12).

PROSPECTS

Due to undesirable cost efficiencies brought by intensive competition among edible oil business in Mainland China, the Group turnaround the unfavourable condition by facing the challenge and completed business reorganisation. The Group successfully disposed of its low profitable edible oil refining and fractionation business, and completely relief pressures from liabilities and finance costs. The disposals did not only complete strategic developing transformation of the Group successfully, but also allowed the Group having a capital structure for development. The Group will fully facilitate the pace of small pack edible oil items.

The Group has launched 3 brands of small pack edible oil in North China and East China regions. After two years of operation, the Group has owned operating resources such as brands, customers, markets and sales channels. The Group will further continue expanding East China and South China markets. The Group will also continue to launch more varieties so as to satisfy various market needs.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SHARES

As at 30 June 2007, the interests of the Directors and chief executives in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) to be notified to the Company and the Stock Exchange were as follows:–

Long positions in the Shares

Name of Directors	Nature of interest and capacity	Total number of the Shares	Approximate percentage of interest
Mr. LIM Wa	Corporate (a)	468,200,000	58.53%
Mr. LAM Cham	Corporate (b)	20,000,000	2.50%
	Personal	200,000	0.03%

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

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

All the interests stated above represented long positions. As at 30 June 2007, the Directors and chief executives had no short positions recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Save as disclosed above, as at 30 June 2007, none of the Directors or chief executive of the Company nor their associates, had any interest in long position or short position in the shares, underlying shares or debentures of the Company or its associated corporations which they are taken or deemed to have under such provision of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which required, pursuant to the Model Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. All Directors have confirmed their full compliance with the required standard as set out in the Model Code during the six months ended 30 June 2007.

SHARE OPTIONS SCHEMES

A share option scheme (the "**Share Option Scheme**") and another share option scheme (the "**Pre-IPO Share Option Scheme**") were adopted pursuant to written resolutions of the Shareholders passed on 18 September 2004 for the primary purpose of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Directors and employees and for such purposes as the Board may approve from time to time. The principal terms of the Share Option Scheme and the Pre-IPO Share Option Scheme are set out in the annual report of the Company for the year ended 31 December 2006. During the six months ended 30 June 2007, no options have been granted or exercised under either the Share Option Scheme or the Pre-IPO Share Option Scheme.

Details of the outstanding share options as at 30 June 2007 which were granted under the Pre-IPO Share Option Scheme are as follows:–

	Date of grant	Number of Option Shares			
		Outstanding at 31 December 2006	Exercised during the period	Lapsed during the Outstanding at period 30 June 2007	
Mr LAM Cham	18 September 2004	6,000,000	–	–	6,000,000
Mr DING Ming Shan	18 September 2004	3,200,000	–	–	3,200,000
Mr LI Xiao Ning	18 September 2004	3,200,000	–	–	3,200,000
Other senior management staff and employees	18 September 2004	49,450,000	–	1,150,000	48,300,000
Total		61,850,000	–	1,150,000	60,700,000

The share options granted are recognised in the interim financial report. 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 after taking into accounts the terms and conditions upon which the options were granted. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2007, as far as known to the Directors, the following persons (other than the Directors or chief executives of the Company) who had 5% or more interests in the shares or underlying shares in respect of equity derivatives of the Company that would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:–

Long position in the Shares

Name of shareholders	Nature of interest and capacity	Total number of shares held	Approximate percentage of interest
Aswell Group	Corporate	468,200,000	58.53%

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

The interest stated above represented long positions. As at 30 June 2007, the substantial shareholder had no short positions recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2007, the Group employed approximately 300 employees in the PRC and Hong Kong (31 December 2006: 426 employees). All employees are remunerated according to their performance, experience and prevailing trade practices. Both on-the-job and professional training are provided as well. The Group provides retirement benefits, either in the form of the Mandatory Provident Fund Exempted ORSO or Mandatory Provident Fund entitlement, to employees in Hong Kong. A similar scheme is also maintained for employees in the PRC. Details concerning the retirement benefit schemes were set out in the 2006 Annual Report. The Group has implemented a share option scheme to reward eligible employees (including executive Directors) according to their individual performance.

AUDIT COMMITTEE

In accordance with the Code of Corporate Governance Practices in the Listing Rules, the Company has established the Audit Committee comprising all independent non-executive directors as members with written terms of reference. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters related to the preparation of the unaudited consolidated condensed interim accounts for the six months ended 30 June 2007.

CORPORATE GOVERNANCE

The Company has committed to maintaining a high standard of corporate governance and complied with the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2007 except with deviations from the code provisions A.2.1.

Code provision A.2.1

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

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

INTERNAL CONTROL

The Board has overall responsibilities for maintaining a sound and effective internal control system of the Group to safeguard the shareholders’ investment and the Company’s assets. The Board, through the Audit Committee of the company, has conducted an annual review of the effectiveness of internal control system of the Group. The review covered all material controls including financial, operational and compliance controls and risk management functions.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

PUBLICATION OF INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY

An interim report for the six months ended 30 June 2007 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to Shareholders and published on the websites of the Stock Exchange and the Company in due course.

DIRECTORS

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

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

Hong Kong, 24 September 2007

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

LIM Wa (*Chairman and Chief Executive Officer*)

LAM Cham (*Deputy Chief Executive Officer*)

DING Ming Shan

(*Deputy Chief Executive Officer*)

Independent Non-executive Directors

XIAO Zhuo Ji

WONG Lung Tak, Patrick, J.P.

CHAN Kin Sang

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

LAM Hiu Lai (Financial Controller) (CPA, ACCA)

AUTHORISED REPRESENTATIVES

LIM Wa

LAM Cham

AUDIT COMMITTEE

WONG Lung Tak, Patrick, J.P. (*Chairman*)

XIAO Zhuo Ji

CHAN Kin Sang

REMUNERATION COMMITTEE

LIM Wa (*Chairman*)

WONG Lung Tak, Patrick, J.P.

CHAN Kin Sang

REGISTERED OFFICE

Century Yard

Cricket Square

Hutchins Drive

P. O. Box 2681 GT

George Town

Grand Cayman

British West Indies

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2909, Shun Tak Centre West Tower

200 Connaught Road Central

Hong Kong

AUDITORS

KPMG

LEGAL ADVISERS

Squire, Sanders & Dempsey

PRINCIPAL BANKERS

In Hong Kong:

Standard Chartered Bank

Bank of China (Hong Kong) Limited

Fortis Bank

In the PRC:

China Construction Bank

Zhenjiang Jianbi Sub-Branch

Industrial & Commercial Bank of China

Zhenjiang Branch

Bank of Communications Zhenjiang Branch

Bank of Communications Tianjin Economic

and Technological Development Area

Branch

Agricultural Bank of China Tianjin Port Free

Trade Zone Branch

Industrial & Commercial Bank of China Tianjin

Port Free Trade Zone Branch

Bank of Jiangsu, Zhenjiang Branch

WEBSITE

<http://chinaforce.etnet.com.hk>

www.chinaforce.com