2008

annual report

CPM

CHINA PRECIOUS METAL RESOURCES HOLDINGS CO., LTD.

中國貴金屬資源控股有限公司

(Formerly known as China Force Oil & Grains Industrial Holdings Co., Ltd.)

(Incorporated in the Caymans Islands with limited liability)

Stock Code: 1194

Contents

Corporate Profile

China Force Oil & Grains Industrial Holdings Co., Ltd. 中盛糧油工業控股有限公司 (the "**Company**") and its subsidiaries (together, the "**Group**") has been founded by Mr. LIM Wa and Mr. LAM Cham in 1999.

The shares (the "**Shares**") of the Company have been listed on the main board (the "**Main Board**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 12 October 2004 (Stock code: 1194).

Upon completion of business reorganization, the Group is now principally engaged in production and sale of small pack edible oil and trading of other edible oil products.

The name of the Company has been changed to China Precious Metal Resources Holdings Co., Ltd. (中國貴金屬資源控股有限公司) with effect from 12 November 2008.

The Board considers that the new name of the Company would symbolize a fresh start to the Company. It reflects the Company's desire to explore and capture new business opportunity recently identified by the Company (i.e. the mining industry). The Board is of the view that the new name of the Company can refresh the corporate image and identity of the Company.

Financial Highlights

Operating Figures

For the financial years ended 31 December	**2008 HK$'000**	2007 HK$'000
Turnover	**139,541**	150,729
Gross profit	**3,513**	12,795
(Loss)/profit for the year	**(52,209)**	135,758
(Loss)/earnings per share	**(5.9) cents**	17.0 cents

Sales Volume, Average Selling Price and Average Gross Profit/(Loss) Per Tonne

	2008	2007
Sales volume	**('000 tonnes)**	('000 tonnes)
— Small pack oil	**12**	6
Average selling price per tonne	**(HK$)**	(HK$)
— Small pack oil	**11,263**	8,892
Average gross profit/(loss) per tonne	**(HK$)**	(HK$)
— Small pack oil	**250**	(307)

Consolidated Balance Sheet

As at 31 December	**2008 HK$'000**	2007 HK$'000
Total assets	**143,012**	206,521
Non-current assets	**54,055**	139,988
Current assets	**88,957**	66,533
Total liabilities	**73,357**	141,746
Current liabilities	**65,548**	113,571
Net current assets/(liabilities)	**23,409**	(47,038)
Net assets	**69,655**	64,775

Financial Highlights

Financial Indicators

For the financial year ended 31 December	**2008**	2007
Gross profit/(loss) per tonne		
— Small pack oil (HK$)	**250**	(307)
Average inventory turnover (days)	**10.8**	33.2
Average trade receivable turnover (days)	**31.1**	46.6
Average trade payable turnover (days)	**41.5**	62.8
Net gearing ratio#	**54.5%**	76.3%

It is calculated with reference to the net debts (total borrowings and long-term payable less bank deposits) and the net assets value of the Group as at the balance sheet dates.

Chairman's Statement

During 2008, under the strict inflationary control measures of the Chinese government and the trend of changes in global oil and grains market, the edible oil price in Mainland China dropped significantly from an exceptional historical high. Coupled with the impact of the global financial tsunami, the market conditions have further been deteriorated. All our common expectation of business growth during busy seasons have been vanished as the Group is faced with the above risks and challenges. However, through the strategy of adjusting our operations, the operating risks have been well in control and the potential loss arising from any changes in market conditions is reduced as much as possible.

Meanwhile, the Group is actively identifying any new opportunities which may arise according to the business development plan designated by the management. In September 2008, the Group has entered into a letter of intent with an independent third party in relation to the acquisition of equity interests of a company holding certain exploitation rights for gold mines located in Inner Mongolia. The success of the acquisition will be of significant importance to the Group's future development. Further, the recent change of name to China Precious Metal Resources Holdings Co., Ltd. (中國貴金屬資源控股有限公司) has signified a brand new corporate image and the committed vision of exploring new business areas by all fellow members of the Group. It is expected to bring our shareholders a new horizon of hope as well as interests.

On behalf of the Board, I would like to extend our thankfulness to our customers, suppliers, bankers and investors for their support of and confidence in the Group over the years. My special thanks also go to every member of the management team and staff for their unreserved efforts and contribution to the Group in the past year.

Lim Wa
Chairman

Hong Kong, 24 April 2009

Management's Discussion and Analysis

Financial Review

Group results

For the financial year ended 31 December 2008, the Group's turnover was approximately HK$139,541,000 (2007: HK$150,729,000). Loss attributable to equity holders of the Company was approximately HK$52,209,000 (2007: HK$135,758,000 profit from continuing and discontinued operations attributable to equity holders). Loss per share amounted to HK5.9 cents (2007: Earnings per share HK17.0 cents).

Selling and distribution expenses

During the financial year, the Group's selling and distribution costs from continuing operations amounted to approximately HK$8,780,000 (2007: HK$11,519,000), representing a decrease of approximately 23.8% over last year. The decrease was resulted from the tighter control by management over the budget of the expenses.

Administrative expenses

Administrative expenses from continuing operations increased to approximately HK$33,386,000 (2007: HK$22,848,000), representing an increase of 46.1% as compared with the last year. This was mainly due to the increase in the amount recognised for equity-settled share-based payment expenses of HK$11,810,000 which was in relation to the share options granted to the Group's directors, employees and professional consultants working for the Group during the year (2007: HK$3,922,000).

Finance costs

The Group's finance costs for the financial year amounted to approximately HK$6,889,000 (2007: HK$2,907,000), mainly comprising interest expenses on bank and other borrowings and amortised interest expenses on the fair values of long-term payable and loan from a related company. The increase in finance costs was mainly due to the increase of the amortised interest expenses and interest rates of bank loans.

Liquidity and financial resources

As at 31 December 2008, the Group's net assets amounted to HK$69,655,000 (2007: HK$64,775,000). As at 31 December 2008, the Group's cash and bank deposits amounted to HK$6,902,000 (2007: HK$18,968,000). The Group's net current assets were approximately HK$23,409,000 (2007: HK$47,038,000 net current liabilities).

As at 31 December 2008, the Group had total available banking facilities amounted to HK$38,728,000 of which HK$37,025,000 has been utilized. As such, the Group had remaining available banking facilities of HK$1,703,000 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 2 to the financial statements.

Management's Discussion and Analysis

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 limited.

Capital structure

On 22 May 2008, the Company issued and allotted 100,000,000 new ordinary shares of $0.125 each at the issue price of $0.28 each. On 15 August 2008, the Company issued and allotted 40,000,000 new ordinary shares of $0.125 each at the issue price of $0.32 each. All these shares rank pari passu in all respects with other shares in issue.

As at 31 December 2008, the Group's net assets was approximately HK$69,655,000 (2007: HK$64,775,000) and its net debts (total bank and other borrowings less bank deposits) were HK$37,932,000 (2007: HK$49,400,000). Based on the above, the Group's net gearing ratio was approximately 54.5% (2007: 76.3%).

Operational Review

In 2008, the Group still focused on its principal business of production and sale of small pack edible oil.

From April 2008 onwards, affected by the strict inflationary control measures of the Chinese government and the trend of changes in global oil and grains market, the edible oil price in Mainland China dropped significantly from an exceptional historical high. Coupled with the impact of the global financial tsunami, market demand declined further, sweeping away all our expectation of a business growth in the second half of the year. The Group further adjusted its business strategies based on risk management principles: emphasis on developing the markets along the Yangtze River where the growth of demand will rebound more readily; appropriate control of capital injection and minimise the scale of the pack oil business, maintained the existing sales channels and customer relations to the greatest extent through flexible small and frequent volume sales method and using advanced and efficient production equipment to develop the risk free processing business for the customers. For the twelve months ended 31 December 2008, the sales of the Group's small pack oil business amounted to approximately HK$136,874,000 (2007: HK$57,294,000). With regard to profitability, the gross profit of our small pack oil business was HK$3,038,000 (2007: HK$1,976,000 gross loss).

Prospects

In 2009, governments around the world have launched bailout plans to revive the markets and stimulate the economies. The RMB4 trillion stimulus package by the Chinese government, in particular, has started to take effect, driving up the growth trend of the demand for edible oil in Mainland China. On the premise of controllable risks, the Group will adjust the scale of and marketing strategies for the edible oil business subject to changes in the market trend. The management remains positive about the growth of edible oil business in 2009.

In September 2008, the Group has entered into a letter of intent with an independent third party in relation to the acquisition of equity interests of a company holding certain exploitation rights for gold mines located in Inner Mongolia. Preliminary works in connection with the acquisition is in progress. The success of the acquisition will be of significant importance to the Group's future development.

Corporate Governance Report

Corporate Governance Practices

The Board is committed to maintain high standards of corporate governance and procedures to ensure integrity, transparency and quality of disclosure in order to promote the ongoing development of the best long term interest of the Company and enhance value for all the Shareholders.

The articles of association of the Company (the "**Articles**") and the terms of reference of the audit committee and the remuneration committee form the framework for the code of corporate governance practices of the Company. The Board has reviewed its corporate governance documents and is of the view that the Company has complied with Code on Corporate Governance Practices (the "**CG Code**") contained in Appendix 14 of the Listing Rules except with deviations from the code provisions A.2.1.

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

Other than the deviations mentioned above, the Board is of the view that the Company has complied with the code provisions of the CG Code throughout the year ended 31 December 2008.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions.

The Company has made specific enquiry of all Directors of any non-compliance with the Model Code during the financial year ended 31 December 2008, and they have all confirmed their full compliance with the required standard as set out in the Model Code.

The Board

The overall management of the Company's business is vested in the Board. The major responsibilities of the Board include formulation of strategic plans, adoption of corporate strategies, assessment of investment projects, monitoring and controlling the Group's operating and financial performance, assessment and management of risk to which the Group is exposed. The managements of the Group are responsible for the execution of the Board's decisions and day-to-day operation of the Group.

Corporate Governance Report

Composition

As at 31 December, 2008, the Board consists of six Directors, with three executive Directors, namely Mr Lim Wa, Mr Lam Cham and Mr Chang Yim Yang, three independent non-executive Directors, namely 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. Mr. Chang Yim Yang is first appointed on 19 June 2008 as Executive Director of the Company for a term of three years.

The Company has appointed a sufficient number of independent non-executive Directors with suitable professional qualifications, such as expertise in accounting and financial management, in accordance with the requirements of the Listing Rules. They actively bring their valuable experience to the Board for promoting the best interests of the Company and its shareholders. The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules.

As permitted under its Articles of Association, the Company has arranged Directors' and Officers' Liability Insurance for which Members of the Board and officers of the Company do not have to bear any excess.

In 2008, the Company held ten Board meetings, with an average participation rate of 79%. The attendance of individual Directors at Board meetings during the year was:

Name of Directors	Meetings attended/held
Mr Lim Wa	10/10
Mr Lam Cham	10/10
Mr Chang Yim Yang (Appointed on 19 June 2008)	4/6
Professor Xiao Zhuo Ji	0/10
Dr Wong Lung Tak, Patrick, J.P.	10/10
Mr Chan Kin Sang	10/10

The minutes of Board meetings are prepared by the secretary of the meeting. The draft minutes are circulated to all Members of the Board for their comments and the final version of the minutes is sent to all Members of the Board for their records within a reasonable time after the meeting. The minutes are also open for inspection by all Members of the Board at the Company's registered office.

The total remuneration of the Directors in 2008 amounted to HK$4,535,000. Independent non-executive Directors are only entitled to receive director's fees but not other salaries or remuneration. The remuneration (including share based payments) of each Director for the year was as follows:

Name of Directors	HK$
Mr Lim Wa	1,912,000
Mr Lam Cham	1,954,000
Mr Chang Yim Yang (Appointed on 19 June 2008)	Nil
Professor Xiao Zhuo Ji	263,000
Dr Wong Lung Tak, Patrick, J.P.	203,000
Mr Chan Kin Sang	203,000

Corporate Governance Report

For the financial year ended 31 December 2008, 17,400,000 share options had been granted to the directors and independent non-executive directors, under the Share Option Scheme adopted by the Company. Details of these share options granted and remained outstanding as at 31 December 2008 are as follows:—

			Number of option Shares		
	Date of grant	Exercise Price HK$	Granted during the year	Exercised during the year	Outstanding at 31 December 2008
Mr Lam Cham	2 January 2008	0.27	7,200,000	–	7,200,000
Dr Wong Lung Tak, Patrick, J.P.	2 January 2008	0.27	800,000	–	800,000
Mr Chan Kin Sang	2 January 2008	0.27	800,000	–	800,000
Professor Xiao Zhuo Ji	2 January 2008	0.27	800,000	–	800,000
Mr Lim Wa	20 March 2008	0.292	7,800,000	–	7,800,000
Total			17,400,000	–	17,400,000

Board Committees

Audit committee

The Group has established an audit committee (the "**Audit Committee**") under the Board. The Audit Committee comprised three independent non-executive Directors, namely Professor Xiao Zhuo Ji, Dr Wong Lung Tak, Patrick, J.P. and Mr Chan Kin Sang. Dr Wong Lung Tak, Patrick, J.P. is the Chairman of the Audit Committee.

The Audit Committee's duties are mainly to review the Company's financial reports, make recommendations on the appointment, removal and remuneration of independent auditors and approve audit and audit-related services, and supervise the Company's internal financial reporting procedures and management policies.

At least two meetings of the Audit Committee will be convened annually to review the accounting policies, internal control and the relevant financial and accounting issues, so as to ensure fairness and accuracy of the Company's financial statements and other relevant information. The minutes of the Audit Committee meetings are prepared by the secretary of the meeting. The draft minutes are circulated to the Committee Members for comments and the final version of the minutes is sent to the Committee Members for their records within a reasonable time after the meeting. The minutes are also open for inspection by the Committee Members at the Company's registered office.

In 2008, the Audit Committee held three meetings with an average participation rate of 67%. Members of the Audit Committee, Dr Wong Lung Tak, Patrick, J.P. and Mr Chan Kin Sang have attended all meetings during the year. Professor Xiao Zhuo Ji has not attended all meetings during the year for the reason of sickness.

Corporate Governance Report

Remuneration committee

The Group has established a remuneration committee (the "**Remuneration Committee**"). The Remuneration Committee consists of two independent non-executive Directors, Dr Wong Lung Tak, Patrick, J.P. and Mr Chan Kin Sang, and one executive Director, Mr Lim Wa. The Company had formulated written terms of reference for the Remuneration Committee in accordance with the requirements of the Listing Rules.

The Remuneration Committee is responsible for ensuring formal and transparent procedures for developing remuneration policies and in overseeing remuneration packages of the Directors. It takes into consideration factors such as salaries and compensation packages paid by comparable companies, time commitment and responsibilities of Directors. It would also take into account whether the emoluments offered are appropriate to the duties and performance of the respective individuals concerned and whether such emoluments are competitive and sufficiently attractive to retain such individuals.

During the year ended 31 December 2008, three Remuneration Committee meetings were held for the recommendation of share options granted by the Company during the year. All members of the Remuneration Committee attended all meetings during the year.

Independent Board Committee

The independent board committee (the "**IBC**") comprises all the three independent non-executive Directors, namely Professor Xiao Zhuo Ji, Dr Wong Lung Tak, Patrick, J.P. and Mr Chan Kin Sang.

The principal responsibilities of the IBC include advising the Company's independent shareholders as to whether the terms of the Refreshment of General Mandate are fair and reasonable, whether the Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole, and on how to vote after taking into account the recommendations of the independent financial adviser "IFA") required to be appointed by the Company under the Listing Rules. The extraordinary general meeting held on 12 November 2008 approving the Refreshment of General Mandate was completed.

Nomination Procedures and Criteria

The Company has yet to appoint a nomination committee, the establishment of which is a recommended best practice by the Stock Exchange. Current Board practice of appointment of new directors is that all valid nomination of candidates, accompanied with related details of their biographies, for directorships in the Company would be brought before the Board for consideration. Consideration would be given to factors such as the candidate's experience and qualifications relevant to the Company's business. Members of the Board would collectively have the required professional knowledge and skills in discharging the Board's responsibility in identifying, recruiting and evaluating new nominees to the Board and the assessment of qualifications of nominated candidates for directorship.

Corporate Governance Report

Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Company and ensure that they are prepared in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of such financial statements.

The statement of the external auditors of the Company, Messrs CCIF CPA Limited, with regard to their reporting responsibilities on the Company's financial statements is set out in the Auditor's Report on page 24 to 25.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Auditors' Remuneration

For the year ended 31 December 2008, the amounts billed by its external auditors, CCIF CPA Limited in respect of services provided to the Company were as follows:

	2008 HK$'000
Audit services	850
Tax compliance	12
	862

Internal Control

The Board has overall responsibilities to maintain a sound and effective internal control system of the Group to safeguard the shareholders' investment and the Company's assets. The Group has established guidelines and procedures for the approval and control of expenditure. Operating expenditures and capital expenditures are subject to the overall budget control and approval process prior to commitment.

The Board has, through the Audit Committee of the company, conducted the annual review of the effectiveness of the Company's system of internal controls for the year ended 31 December 2008. The review covered all material controls including financial, operational and compliance controls and risk management functions. There were no significant control failings, weaknesses or significant areas of concern identified during the year which might affect shareholders.

Communication with Shareholders

The Company's Annual General Meeting is one of the principal channels of communication with its shareholders. It provides an opportunity for shareholders to question Directors about the Company's performance.

The Company may also communicate with its shareholders through Extraordinary General Meetings ("EGM") if and when appropriate. For example, an EGM was held on 12 November 2008 to consider approving the proposed change of company name and refreshment of general mandate.

Biographical Details of the Directors and the Senior Management

Directors

Executive Directors

Mr. LIM Wa (廉華), aged 48, is the chairman, chief executive officer and an executive Director. Mr. LIM is one of the founders. Mr. LIM obtained a bachelor's degree in economics from Remin University of China (中國人民大學). Mr. LIM has over 20 years of experience in the PRC edible oil industry. Prior to founding the Group in 1999, Mr. LIM had worked at China Foreign Trading Company Limited (中國商業對外貿易總公司) for around 10 years being responsible for the trading of oil, oilseeds and meals. Mr. LIM is responsible for the Group's overall strategic development, planning and policy making.

Mr. LAM Cham (林杉), aged 50, is the deputy chief executive officer and executive Director. Mr. LAM is one of the founders. Prior to founding the Group with Mr. LIM in 1999, Mr. LAM had worked in two State-owned companies in China engaged in international trading and domestic trading of oil, oilseeds and meals for more than 20 years being responsible for sales and distribution. Mr. LAM is responsible for the Group's overall strategic development and supervising the Group's general operations.

Mr. CHANG Yim Yang (張賢陽), aged 46, was first appointed as executive Director on 19 June 2008 for a term of three years. Mr. Chang was awarded post-graduate diploma by University of Shenzhen in International Finance. Mr. Chang is experienced in mergers and acquisitions as well as capital market operations. He is well versed in investment operations in Mainland China and has more than ten years of experiences in the industry. Mr. Chang did not hold any directorships in other listed companies in the last three years.

Independent non-executive Directors

Professor XIAO Zhuo Ji (蕭灼基), aged 74 was first appointed as independent non-executive Director on 19 June 2004 and re-appointed as an independent non-executive Director on 19 June 2007 for a term of three years. Professor XIAO is the Professor of the Faculty of Economics of Peking University, China. Professor XIAO is also a general member of the National Committee, Chinese People's Political Consultative Conference. Professor XIAO is an economist in China and has over 10 years of experience in contributing to the liberalisation of the Chinese capital markets.

Dr. WONG Lung Tak, Patrick (黃龍德), J.P., aged 61 was first appointed as independent non-executive Director on 19 June 2004 and re-appointed as an independent non-executive Director on 19 June 2007 for a term of three years. Dr. WONG is a practising certified public accountant in Hong Kong and the managing director of Wong Lam Leung & Kwok CPA Limited. He has over 30 years' experience in the accountancy profession. Dr. WONG was accorded Doctor of Philosophy in Business in 2000, was awarded a Badge of Honour by the Queen of England in 1993, and was appointed a Justice of the Peace in 1998. He was appointed Adjunct Professor, School of Accounting and Finance, The Hong Kong Polytechnic University in 2002. Dr. WONG participates in many types of community services, holding posts in various organizations and committees in government and voluntary agencies. Dr. WONG is currently an independent non-executive director of Water Oasis Group Limited, CC Land Holdings Limited and Galaxy Entertainment Group Limited, the shares of all these companies are listed on the Stock Exchange. Dr. WONG had been an independent non-executive director of Anex International Holdings Limited (presently named Magnesium Resources Corporation of China Limited, a listed company in Hong Kong) from 21 June 1991 to 31 October 2005.

Biographical Details of the Directors and the Senior Management

Mr. CHAN Kin Sang (陳健生), aged 57, was first appointed as independent non-executive Director on 19 June 2004 and re-appointed as an independent non-executive Director on 19 June 2007 for a term of three years. Mr. CHAN is currently the sole proprietor of Messrs. Peter K.S. Chan & Co., Solicitors and Notaries. Mr. CHAN has been a practising solicitor in Hong Kong since 1982. Mr. CHAN graduated from the University of Hong Kong with a bachelor's degree in laws in 1979. Mr. CHAN was admitted as a notary public in 1997 and as a China-appointed attesting officer in 2000. Mr. CHAN is currently a Fellow of the Hong Kong Institute of Directors, Mr. CHAN is currently an independent non-executive director of each of People's Food Holdings Limited, Sunray Holdings Limited and Luxking Group Holdings Limited and non-executive director of Pan Hong Property Group Limited, the shares of all these companies are listed on Singapore Stock Exchange Limited. Mr. CHAN is also an independent non-executive director of each of Dynamic Energy Holdings Limited, Goldmond Holdings Limited and New Smart Energy Group Limited, the shares of all of which are listed on the Stock Exchange. He was formerly an independent non-executive director of each of LeRoi Holdings Limited and China Sciences Conservational Power Limited and Plus Holdings Limited (provisional liquidiators appointed) the shares of all of which are listed on the Stock Exchange, and of CHT (Holdings) Ltd. whose shares are listed on Singapore Stock Exchange Limited.

Senior Management

Mr. SUN Yun Fei (孫雲飛), aged 37, is the general manager of China Force (Zhenjiang). Mr. SUN graduated from East China Shipbuilding Institute (華東船舶工業學院), the PRC and also obtained a Master of Business Administration degree from Nanjing University of Science and Technology (南京理工大學), the PRC. Prior to joining the Group in 2001, Mr. SUN had worked for a PRC food company. Mr. SUN has over nine years of experience in the management and operation of food and related companies. Mr. SUN is responsible for the day-to-day management of production, logistics, sales and administration of China Force (Zhenjiang).

Mr. ZHAO Meng (趙夢), 38, vice president of Pack Oil Department of the Company. Mr. Zhao holds a bachelor's degree in theoretical physics from Tianjin Normal University (天津師範大學). Before joining the Group in 2002, he has been engaged in distribution of consumer products for Taiwan and foreign invested enterprises as a senior sales personnel. Mr. Zhao has ample experience in development and maintenance of consumer product business, and an in-depth understanding and knowledge in the consumer products market in China, together with 15 years experience in management. Mr. Zhao is now responsible for the operation and sales management of pack oil of the Group.

Mr. ZHU Bin (朱彬), 40, graduated from Jiangsu University (江蘇大學) in China. Mr. Zhu is a qualified accountant in China. Before joining the Group in 2001, Mr. Zhu worked for a Chinese food company. He has over ten years' management experience in food and related companies. Mr. Zhu is responsible for the formulation of accounting policies of the Group.

Ms. LAM Hiu Lai (林曉麗), aged 38, is the financial controller, company secretary and qualified accountant of the Group. Ms. LAM graduated from the Shue Yan University and also obtained a Master of Professional Accounting in the Hong Kong Polytechnic University. Prior to joining the Group in 2002, Ms. LAM had worked at a leading accounting firm for seven years and held the position of accounting manager in the group for four years. Ms. LAM has over 10 years of financial management and accounting experience. Ms. LAM is responsible for the Group's general financial management and accounting. Ms. Lam is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

Report of the Directors

The Directors hereby submitting the annual report and the audited financial statements for the financial year ended 31 December 2008.

Principal Business Activities

The Company is an investment holding company. The activities of its principal subsidiaries are set forth in note 18 to the financial statements.

Results and Dividend

The results of the Group for the financial year ended 31 December 2008 are set forth in the consolidated income statement on page 26.

The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2008.

Five Years Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 101.

Reserves

Details of movement in the reserves of the Group and the Company during the year are set out in note 28 to the financial statements.

Fixed Assets

Particulars of the movements during the financial year in fixed assets of the Group are set forth in note 15 to the financial statements.

Share Capital

Details of the movements in share capital of the Company are set out in note 28 to the financial statements.

Report of the Directors

Directors

The Directors during the year and up to the date of this report were:—

Executive Directors:—

Mr. LIM Wa
Mr. LAM Cham
Mr. CHANG Yim Yang (Appointed on 19 June 2008)

Independent non-executive Directors:—

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

The service contracts of Mr. Lim Wa and Mr. Lam Cham as executive Directors of the Company was renewed for a fixed term of three years commencing from 19 June 2007. Mr. Chang Yim Yang was first appointed as executive Director on 19 June 2008 for a term of three years. There is no specific clause in all the service contracts providing for the amount of compensation in case of early termination.

Each independent non-executive Director was appointed by the Company for a term of three years commencing from 19 June 2007 and was subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Articles.

In accordance with article 87(1) of the Articles, Professor Xiao Zhuo Ji and Mr. Chang Yim Yang shall retire at the forthcoming annual general meeting of the Company and shall be eligible for re-election.

Other than as disclosed above, no Director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Report of the Directors

Directors' and Chief Executives' Interest in Shares

As at 31 December 2008, 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 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)	420,200,000	44.70%
Mr. CHANG Yim Yang	Corporate (b)	100,000,000	10.64%
Mr. LAM Cham	Personal	200,000	0.02%

(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) Lead Pride Holdings Limited ("Lead Pride") is wholly-owned by Mr. CHANG Yim Yang. Accordingly, Mr. CHANG Yim Yang is taken to be interested in the Shares held by Lead Pride.

All the interests stated above represented long positions. As at 31 December 2008, the Directors and chief executives had no short positions recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Share Options

A share option scheme (the "**Share Option Scheme**") was adopted pursuant to a written resolution of the then Shareholders passed on 18 September 2004.

The purpose of the Share Option Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to any executive directors, non-executive directors and independent non-executive directors of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers to the Group whom the Board considers, in its sole discretion, have contributed or will contribute to the Group, subject to and in accordance with all applicable laws (the "**Participants**").

The Share Option Scheme will remain in force for a period of 10 years commencing on 18 September 2004, being the date on which the Share Option Scheme was adopted.

Report of the Directors

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of Shares in issue (the "**Scheme Mandate Limit**"), unless the Company obtains a fresh approval from the Shareholders.

Under the Share Option Scheme and any other share option schemes of the Company, the Directors were authorized to grant options to subscribe for up to 80,000,000 Shares, representing 10% of the Shares in issue immediately following completion of the initial public offering of the Company. Prior to 11 February 2008, the Scheme Mandate Limit has been fully utilized.

At the Extraordinary General Meeting held on 11 February 2008, the Company obtained the approval from the Shareholders to refresh the limit in respect of the granting of share options under the Share Option Scheme and all other share option scheme(s) up to 10% of the total number of Shares in issue as at the date of approval of such refreshment by passing of an ordinary resolution by the Shareholders.

Notwithstanding any other provisions of the Share Option Scheme, the maximum number of the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of Shares in issue from time to time.

Unless approved by the Shareholders, the total number of the Shares issued and to be issued upon exercise of the options granted to each Participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.

Offer of an option ("**Offer**") shall be deemed to have been accepted by any Participant (the "**Grantee**") who accepts an Offer in accordance with the terms of the Share Option Scheme and the option to which the Offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the Offer duly signed by the Grantee together with a remittance in favour of the Company of HK$1.00 by way of consideration for the granting thereof is received by the Company within such period as the Board may determine and specify in the Offer.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period to be determined by the Board at its absolute discretion and notified by the Board to each Grantee as being the period during which such option may be exercised and in any event, such period shall not be longer than 10 years from the date of offer (the "**Option Period**"). An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the Option Period.

The subscription price for the Shares under the Share Option Scheme will be at least the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which an offer is made by the Company to the Grantee (which date must be a business day, "**Offer Date**"); (b) a price being the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the Offer Date; and (c) the nominal value of the Share.

As at 31 December 2008, 107,170,000 share options were granted to the directors, independent non-executive directors, employees, financial consultants and project investment consultants of the Company, representing 11.40% of the Shares in issue at that date and approximately 10.23% of the enlarged number of shares in issue upon full exercise of the options granted under the Share Option Scheme.

Report of the Directors

Details of the share options granted and remained outstanding as at 31 December 2008 under the Share Option Scheme are as follows:—

			Number of option Shares		
	Date of grant	Exercise Price HK$	Granted during the year	Exercised during the year	Outstanding at 31 December 2008
Mr LAM Cham	2 January 2008	0.27	7,200,000	–	7,200,000
Dr WONG Lung Tak, Patrick, J.P.	2 January 2008	0.27	800,000	–	800,000
Mr CHAN Kin Sang	2 January 2008	0.27	800,000	–	800,000
Mr XIAO Zhuo Ji	2 January 2008	0.27	800,000	–	800,000
Other senior management staff and employees	2 January 2008	0.27	17,570,000	–	17,570,000
Mr LIM Wa	20 March 2008	0.292	7,800,000	–	7,800,000
Other senior management staff and employees	20 March 2008	0.292	39,000,000	–	39,000,000
Financial consultants and project investment consultants	18 June 2008	0.35	33,200,000	–	33,200,000
Total			107,170,000	–	107,170,000

The above three tranches of share options are of an exercise price of $0.27, $0.292 and $0.35 per share with the exercisable periods from 2 April 2008 to 1 January 2011, 20 June 2008 to 19 June 2011 and 18 September 2008 to 17 September 2011 respectively. All three tranches of share options have the vesting period for three months after the date of grant.

Another share option scheme (the "**Pre-IPO Share Option Scheme**") was adopted pursuant to a written resolution of the then Shareholders passed on 18 September 2004 for the primary purpose of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to our directors and employees and for such other purposes as the Board may approve from time to time.

The principal terms of the Pre-IPO Share Option Scheme are substantially the same as the terms of the Share Option Scheme except that:—

(i) the subscription price for each Share subject to the options granted under the Pre-IPO Share Option Scheme shall be the offer price of HK$1.23 for each Share;

(ii) the total number of the Shares subject to the Pre-IPO Share Option Scheme shall not exceed 64,000,000 Shares; and

(iii) save for the options which have been granted, no further options will be offered or granted, as the right to do so will end upon the listing of the Company.

Report of the Directors

As at 31 December 2008, the number of Shares in respect of which options had been granted and remained outstanding under the Pre-IPO Share Option Scheme was 3,850,000, representing 0.41% of the Shares in issue at that date and approximately 0.41% of the enlarged number of shares in issue upon full exercise of the options granted under the Pre-IPO Share Option Scheme.

Details of the outstanding share options as at 31 December 2008 which were granted under the Pre-IPO Share Option Scheme are as follows:—

		Number of option Shares			
	Date of grant	Outstanding at 31 December 2007	Exercised during the period	Lapsed during the period	Outstanding at 31 December 2008
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	46,430,000	—	42,580,000	3,850,000
Total		52,830,000	—	48,980,000	3,850,000

The exercise price of each option is HK$1.23. Each of the grantees to whom options have been granted under the Pre-IPO Share Option Scheme will be entitled to exercise (i) 20% of the options so granted at any time after the expiry of 12 months from the listing date, (ii) a further 20% of the options so granted at any time after the expiry of 24 months from the listing date, (iii) a further 20% of the options so granted at any time after the expiry of 36 months from the listing date, (iv) a further 20% of the options so granted at any time after the expiry of 48 months from the listing date, and (v) the remaining options at any time after the expiry of 60 months from the listing date and, in each case, not later than six years from the listing date.

The share options granted are recognised in the financial statements. 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 binominal lattice model.

Arrangements to Purchase Shares or Debentures

At no time during the financial year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

Directors' Interests in Contracts of Significance

During the financial year, no contracts of significance to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the financial year.

Report of the Directors

Substantial Shareholders

As at 31 December 2008, as far as known to the Directors, the following persons (other than the Directors or chief executives of the Company) who had 5% or more interests in the shares or underlying shares in respect of equity derivatives of the Company that would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:—

Long position in the Shares

Name of shareholders	Nature of interest and capacity	Approximate total number of shares held	Percentage of interest
Aswell Group	Corporate (a)	420,200,000	44.70%
Lead Pride	Corporate (b)	100,000,000	10.64%

Notes:—

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

(b) Lead Pride is a company incorporated in the British Virgin Islands with limited liability which is legally and beneficially owned as to 100% by Mr. CHANG Yim Yang.

All the interests stated above represented long positions. As at 31 December 2008, the substantial shareholders had no short positions recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Corporate Governance

The Company is committed to maintaining a high standard of corporate governance and has complied with the CG Code as set out in Appendix 14 to the Listing Rules except with deviations from the code provisions A.2.1, details of which and other further information on the Company's corporate governance practices are set out in the Corporate Governance Report on pages 8 to 12.

Competing Business Interests of Directors

None of the Directors and their respective associates had any interest in a business which competes or may compete with the business of the Group.

Purchase, Sale or Redemption of Shares

There was no purchase, sale or redemption of the Shares by the Company or any of its subsidiaries during the financial year.

Report of the Directors

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Articles although there are no restrictions against such rights under the laws in the Cayman Islands.

Employees

As at 31 December 2008, the total number of employees of the Group was approximately 83. The emolument policy of the Group is to ensure that the remuneration packages of its employees are competitive according to market trends and its employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system.

The Group's policy concerning remuneration of the Directors is set forth below:—

— the amount of remuneration is determined on the basis of the relevant Director's experience, responsibility, workload and the time devoted to the Group;

— non-cash benefits may be provided to the executive Directors under their remuneration package; and

— the executive Directors may by granted, at the discretion of the Board, share options under the Share Option Scheme, as part of their remuneration package.

Major Customers and Suppliers

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:—

Purchases

— the largest supplier 24%
— five largest suppliers combined 56%

Sales

— the largest customer 18%
— five largest customers combined 67%

None of the Directors, their associates or any Shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year.

Report of the Directors

Post Balance Sheet Events

Details of significant events occurring after the balance sheet date are set out in note 37 to the financial statements.

Auditors

The financial statements have been audited by CCIF CPA Limited who retire and, being eligible, offer themselves for reappointment. A resolution for the re-appointment of CCIF CPA Limited as auditors of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board
LIM Wa
Chairman
24 April 2009

Independent Auditor's Report

CCIF
CCIF CPA LIMITED
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

Independent auditor's report to the shareholders of
China Precious Metal Resources Holdings Co., Ltd.
(Formerly known as China Force Oil & Grains Industrial Holdings Co., Ltd)
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Precious Metal Resources Holdings Co., Ltd (the "Company") and its subsidiaries (collectively the "Group") set out on pages 26 to 100, which comprise the consolidated and company balance sheets as at 31 December 2008, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

Independent Auditor's Report

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 2(b) to the financial statements which indicates that the Group incurred a consolidated net loss for the year attributable to the equity holders of the Company of approximately HK$52,209,000 for the year ended 31 December 2008 and, as set out in note 17, the Group entered into a conditional letter of intent with an independent third party, pursuant to which the Group will acquire the entire equity interests in Able Supplement Limited ("Able Supplement"), together with its subsidiaries, which holds certain exploitation rights for gold mines located in Inner Mongolia, the People's Republic of China, subject to terms and consideration to be agreed and results of the due diligences being conducted by the Group. The Group has paid a refundable deposit of HK$46,500,000 which is included under current assets in the consolidated balance sheet as at 31 December 2008. The consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the success of the acquisition of gold mining rights and the ability to attain a profitable gold mining operation in the future, the continual financial support from its principal bankers and the substantial shareholder in order to finance the Group's future working capital and financial requirements, and the Group's ability to obtain new working capital from the prospective investors (including the holders of 140,000,000 warrants to subscribe for 140,000,000 new ordinary shares of the Company at an exercise price of HK$0.36 per share as further detailed in note 28(d) to the financial statements) and to generate adequate cash flows from its continuing operations in the foreseeable future. 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 consolidated financial statements do not include any adjustments that would result from a failure to obtain such financial support and working capital. We consider that adequate disclosures have been made.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 24 April 2009

Leung Chun Wa

Practising Certificate Number P04963

Consolidated Income Statement

for the year ended 31 December 2008 (Expressed in Hong Kong dollars)

	Note	2008 '000	2007 '000
Turnover	4	**139,541**	150,729
Cost of sales		**(136,028)**	(137,934)
Gross profit		**3,513**	12,795
Other revenue	5	**28,218**	5,122
Other net income	5	**9,236**	1,863
Selling and distribution costs		**(8,780)**	(11,519)
Administrative expenses		**(33,386)**	(22,848)
Impairment loss for trade and other receivables, deposits and prepayments		**(44,121)**	(1,336)
Loss from operations		**(45,320)**	(15,923)
Finance costs	6(a)	**(6,889)**	(2,907)
Loss before taxation	6	**(52,209)**	(18,830)
Income tax	7(a)	**–**	–
Loss for the year from continuing operations	11	**(52,209)**	(18,830)
Discontinued operations			
Profit for the year from discontinued operations	10	**–**	154,588
(Loss)/profit for the year		**(52,209)**	135,758
(Loss)/earnings per share – basic and diluted	13		
– continuing operations		**(5.9) cents**	(2.3) cents
– discontinued operations		**–**	19.3 cents
– continuing and discontinued operations		**(5.9) cents**	17.0 cents

The notes on pages 33 to 100 form part of these financial statements.

Consolidated Balance Sheet

at 31 December 2008 (Expressed in Hong Kong dollars)

	Note	2008 '000	2007 '000
Non-current assets			
Fixed assets	15		
– Property, plant and equipment		**42,473**	70,713
– Interests in leasehold land held for own use under operating leases		**11,242**	22,197
Construction in progress	16	**316**	746
Deposits paid for acquisition of fixed assets		**24**	32
Long-term receivable	20	**–**	46,300
		54,055	139,988
Current assets			
Inventories	19	**3,762**	4,315
Trade and other receivables, deposits and prepayments	20	**31,783**	41,568
Deposit for proposed acquisition of equity interests in gold mining rights	17	**46,500**	–
Other deposits	22	**10**	11
Cash and cash equivalents	21	**6,902**	18,968
		88,957	64,862
Non-current assets and assets of a disposal group classified as held for sale	23	**–**	1,671
		88,957	66,533
Current liabilities			
Trade and other payables	24	**28,414**	73,087
Amount due to a related company	34(a)	**109**	291
Bank loans	25	**37,025**	40,193
		65,548	113,571
Net current assets/(liabilities)		**23,409**	(47,038)
Total assets less current liabilities carried forward		**77,464**	92,950

Consolidated Balance Sheet

at 31 December 2008 (Expressed in Hong Kong dollars)

	Note	2008 '000	2007 '000
Total assets less current liabilities brought forward		**77,464**	92,950
Non-current liabilities			
Long-term payable	24(c)	**–**	17,164
Loan from a related company	34(b)	**7,809**	11,011
		7,809	28,175
NET ASSETS		**69,655**	64,775
CAPITAL AND RESERVES	28		
Share capital		**117,500**	100,000
Reserves		**(47,845)**	(35,225)
TOTAL EQUITY		**69,655**	64,775

Approved and authorised for issue by the board of directors on 24 April 2009.

Lim Wa
Director

Lam Cham
Director

The notes on pages 33 to 100 form part of these financial statements.

Balance Sheet

at 31 December 2008 (Expressed in Hong Kong dollars)

	Note	2008 '000	2007 '000
Non-current assets			
Investments in subsidiaries	18	**–**	–
Current assets			
Amount due from a subsidiary	20	**46,606**	–
Other receivables, deposits and prepayments	20	**1,463**	183
Cash and cash equivalents	21	**72**	89
		48,141	272
Current liabilities			
Amounts due to subsidiaries	24	**11,364**	13
Accrued charges and other payables	24	**4,034**	529
		15,398	542
Net current assets/(liabilities)		**32,743**	(270)
NET ASSETS/(LIABILITIES)		**32,743**	(270)
CAPITAL AND RESERVES	28		
Share capital		**117,500**	100,000
Reserves		**(84,757)**	(100,270)
TOTAL EQUITY		**32,743**	(270)

Approved and authorised for issue by the board of directors on 24 April 2009.

Lim Wa
Director

Lam Cham
Director

The notes on pages 33 to 100 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2008 (Expressed in Hong Kong dollars)

	Note	2008 '000	2007 '000
Total equity at 1 January		**64,775**	(57,788)
Net income/(expense) recognised directly in equity:			
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	28	**3,562**	537
Disposals of subsidiaries and non-current assets and a disposal group classified as held for sale	28	**–**	(17,654)
Net income/(expense) for the year recognised directly in equity		**3,562**	(17,117)
Net (loss)/profit for the year	28	**(52,209)**	135,758
Total recognised income and expense for the year attributable to equity holders of the Company		**(48,647)**	118,641
Movements in equity holders arising from capital transactions with equity holders of the Company			
Issue of new shares	28	**40,800**	–
Issue of warrants	28	**1,400**	–
Transaction costs attributable to issue of new shares and warrants		**(483)**	–
Equity settled share-based transactions	28	**11,810**	3,922
		53,527	3,922
Total equity at 31 December		**69,655**	64,775

The notes on pages 33 to 100 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2008 (Expressed in Hong Kong dollars)

	Note	2008 '000	2007 '000
Operating activities			
Loss before taxation from			
– continuing operations		**(52,209)**	(18,830)
– discontinued operations	10(a)	**–**	154,588
		(52,209)	135,758
Adjustments for:			
– Amortisation of land lease premium for property held for own use		**426**	538
– Depreciation		**5,205**	6,049
– Finance costs		**6,889**	19,334
– Other payables written off		**(21,612)**	–
– Over-provision of rentals written back		**(2,044)**	–
– Reversal of impairment loss on other receivables		**(1,186)**	–
– Impairment losses for trade and other receivables, deposits and prepayments		**44,121**	6,527
– (Reversal of write-down)/write-down of inventories		**(167)**	900
– Interest income		**(2,211)**	(4,383)
– Gain on disposal of fixed assets		**(7,260)**	(618)
– Gain on assets of a disposal group classified as held for sale through disposal of assets		**–**	(28,714)
– Gain on disposal of non-current asset classified as held for sale		**(739)**	(490)
– Gain on disposal of subsidiaries		**–**	(80,420)
– Equity-settled share-based payment expenses		**11,810**	3,922
– Foreign exchange (gain)/loss, net		**(2,446)**	836
Operating (loss)/profit before changes in working capital		**(21,423)**	59,239
Decrease/(increase) in long-term receivable		**4,569**	(46,300)
Decrease in inventories		**720**	15,598
(Increase)/decrease in trade and other receivables, deposits and prepayments		**(4,654)**	22,656
Increase in other deposits		**–**	(1)
Decrease in trade and other payables		**(21,017)**	(10,656)
(Decrease)/increase in amounts due to related companies		**(197)**	25
Increase in long-term payable		**–**	17,164
Increase in assets of a disposal group classified as held for sale		**–**	(109,142)
Decrease in liabilities directly associated with assets of a disposal group classified as held for sale		**–**	(103,642)
Cash used in operations		**(42,002)**	(155,059)
Tax refunded			
– PRC income tax refunded		**–**	–
Net cash used in operating activities		**(42,002)**	(155,059)

Consolidated Cash Flow Statement

for the year ended 31 December 2008 (Expressed in Hong Kong dollars)

	Note	2008 '000	2007 '000
Investing activities			
Payment for purchase of fixed assets		**(927)**	(283)
Proceeds from disposal of fixed assets		**47,829**	2,934
Proceeds from disposal of assets of disposal group classified as held for sale		**–**	197,250
Proceeds from disposal of non-current assets classified as held for sale		**2,410**	4,360
Proceeds from disposal of subsidiaries	31	**–**	149,815
Payment for construction in progress		**(194)**	(4,987)
Deposits paid for proposed acquisition of equity interests in gold mining rights		**(46,500)**	–
Interest received		**90**	314
Net cash generated from investing activities		**2,708**	349,403
Financing activities			
Proceeds from bank loans		**85,028**	104,132
Repayment of bank loans		**(90,468)**	(285,605)
Proceeds from issue of warrants		**1,400**	–
Proceeds from issue of shares		**40,800**	–
Expenses on issue of shares and warrants		**(483)**	–
Proceeds from loan from a related company		**–**	15,474
Repayment of loan from a related company		**(6,473)**	–
Interest paid		**(3,572)**	(19,334)
Net cash generated from/(used in) financing activities		**26,232**	(185,333)
Net (decrease)/increase in cash and cash equivalents		**(13,062)**	9,011
Cash and cash equivalents at 1 January	21	**18,968**	9,769
Effect of foreign exchange rate changes		**996**	188
Cash and cash equivalents at 31 December	21	**6,902**	18,968

The notes on pages 33 to 100 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 General Information

China Precious Metal Resources Holdings Co., Ltd. (the "Company') is a company incorporated in the Cayman Islands with limited liabilities. The address of its registered office and principal place of business are disclosed in the corporate information section of the annual report. The Company and its subsidiaries (collectively the "Group") are principally engaged in sale of small pack edible oils and trading of edible oil and related products in the PRC.

Pursuant to a special resolution passed at the Company's extraordinary general meeting held on 12 November 2008, the name of the Company changed from "China Force Oil & Grains Industrial Holdings Co., Ltd." to "China Precious Metal Resources Holdings Co., Ltd." with effect from 12 November 2008.

2 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 ("the Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain amendments and interpretations which are or have become effective. It has also 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. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2008 included the financial statements of 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 2(d)) are stated at 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 2(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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Significant accounting policies (Continued)

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

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.

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. The Group incurred a consolidated net loss for the year attributable to the equity holders of the Company of approximately $52,209,000 for the year ended 31 December 2008 and, as set out in note 17, the Group entered into a conditional letter of intent with an independent third party, pursuant to which the Group will acquire the entire equity interests in Able Supplement, together with its subsidiaries, which holds certain exploitation rights for gold mines located in Inner Mongolia, the People's Republic of China, subject to terms and consideration to be agreed and results of the due diligences being conducted by the Group. The Group has paid a refundable deposit of $46,500,000 which is included under current asset in the consolidated balance sheet as at 31 December 2008. 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) subsequent to the balance sheet date on 31 December 2008, the Company raised fund of approximately $11 millions by issue of 30,330,000 new ordinary shares of the Company of $0.125 each at the issue price of $0.35 per share, further details refer to note 37(a);

(ii) the Group has been actively negotiating with its principal bankers to secure continual support. Following the maturity of certain short-term bank loans of $18,171,000 (RMB16,000,000), the Group successfully renewed the bank loans of $17,036,000 (RMB15,000,000) in March and April 2009 with maturity dates from December 2009 to April 2010, further details refer to note 37(b).

(iii) the Group has been actively discussing with prospective investors, including the warrant holders to subscribe for 140,000,000 new ordinary shares of the Company at an exercise price of $0.36 per share during a period of two years commencing from 26 September 2008 under the warrant subscription agreement as further detailed in note 28(d), to obtain new working capital;

(iv) the Company's substantial shareholder has agreed to provide financial support as is necessary to enable for the Group to meet its liabilities as they fall due; and

(v) based on a cash flow forecast prepared by the Group's management for the twelve months ending 31 December 2009, the Group will be able to generate adequate cash flows from its continuing operations.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Significant accounting policies (Continued)

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

Accordingly, the directors are of the opinion that it is appropriate to prepare the financial statements for the year ended 31 December 2008 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 and non-current liabilities as current assets and current liabilities respectively. 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, investments in a subsidiaries are stated at cost less impairment losses (see note 2(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 2(v)).

(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 income statement.

(e) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at historical cost less accumulated depreciation and impairment losses, if any (see note 2(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 2(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 income statement on the date of retirement or disposal.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Significant accounting policies (Continued)

(e) Property, plant and equipment (Continued)

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

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

(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 2(h)). Cost comprises direct costs of construction as well as interest charges during the year 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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Significant accounting policies (Continued)

(g) Leased assets (Continued)

(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 income statement 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.

(h) Impairment of assets

(i) Impairment of trade and other receivables

For trade and other receivables and other financial assets carried at cost or amortised cost, the impairment loss is measured as the difference 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. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Significant accounting policies (Continued)

(h) Impairment of assets (Continued)

(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 2(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).

– 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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Significant accounting policies (Continued)

(h) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

– 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.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition and reversal criteria as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill and available-for-sale equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(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.

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 2(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 allowance for impairment of doubtful debts.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Significant accounting policies (Continued)

(k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. 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 income statement 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 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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 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 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).

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(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 income statement 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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Significant accounting policies (Continued)

(o) Income tax (Continued)

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.

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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Significant accounting policies (Continued)

(o) Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not off set. Current tax assets are off set 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) 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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Significant accounting policies (Continued)

(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 income statement 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.

(iii) Interest income

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

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in income statement in equal instalments over the periods covered by the lease term. Contingent rentals are recognised as income in the accounting period in which they are earned.

(v) 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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Significant accounting policies (Continued)

(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 income statement.

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 operations outside Hong Kong 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 an operation outside Hong Kong, 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.

(u) Borrowing costs

Borrowing costs are expensed in income statement 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 expenditure 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 ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Significant accounting policies (Continued)

(v) Non-current assets held for sale and discontinued operations

(i) 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 2.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in income statement. 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.

(ii) 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 (see (i) above), if earlier. It also occurs when the operation is abandoned.

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 less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Significant accounting policies (Continued)

(w) Related parties

For the purposes of these financial statements, parties are 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.

(x) 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.

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. For example, segment assets may include inventories, trade receivables and property, plant and equipment. 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, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

3 Changes in accounting policies

Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has where applicable applied the following amendments and interpretations ("new HKFRSs") issued by the HKICPA which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a defined Benefit Asset, Minimum Funding Requirements and their interaction

The application of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting years have been prepared and presented. Accordingly, no prior year adjustment is required.

The Group has not early applied any of the following new and revised standards, amendments or interpretations which have been issued but are not yet effective for annual periods beginning on 1 January 2008.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 1 (Revised)	First-time Adoption of Hong King Financial Reporting Standards[3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[4]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[6]

1 Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 July 2009
4 Effective for annual periods beginning on or after 1 July 2008
5 Effective for annual periods beginning on or after 1 October 2008
6 Effective for annual periods beginning on or after 1 July 2009

The Company's directors anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

4 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. The amount of each significant category of revenue recognised in turnover during the year is analysed as follows:

	2008 '000	2007 '000
Continuing operations:		
Sales of		
– Small pack edible oils	**136,874**	57,294
Trading of		
– Crude palm oil	**–**	88,504
– Crude soyabean oil	**2,665**	3,866
– Other edible oils and related products	**2**	1,065
	139,541	150,729
Discontinued operations: (note 10)		
Sales of		
– Soyabean oil	**–**	637
– Palm oil	**–**	305
– Other edible oils and related products	**–**	2,346
Logistics and storage charges	**–**	12,727
Processing charges of edible oil products	**–**	3,848
	–	19,863
	139,541	170,592

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

5 Other revenue and other net income

	2008 '000	2007 '000
Other revenue		
Continuing operations:		
Other payables written off (note (a) below)	**21,612**	–
Interest income	**2,211**	4,193
Over-provision of rentals written back (note 32(a))	**2,044**	–
Rental income	**395**	843
Reversal of impairment loss on other receivables	**1,186**	–
Reversal of write-down on inventories	**167**	–
Subcontracting service income	**603**	–
Sundry income	**–**	86
	28,218	5,122
Discontinued operations: (note 10)		
Interest income	**–**	190
Subsidy income	**–**	155
	–	345
	28,218	5,467
Other net income		
Continuing operations:		
Exchange gain	**1,097**	1,177
Gain on disposal of fixed assets	**7,260**	618
Gain on disposal of non-current assets classified as held for sale	**739**	–
Miscellaneous net income	**140**	68
	9,236	1,863
Discontinued operations: (note 10)		
Gain on disposal of non-current assets classified as held for sale	**–**	490
Exchange loss	**–**	(12)
Miscellaneous net loss	**–**	(163)
	–	315
	9,236	2,178

Note (a): These other payables related to imports of crude palm and soyabean oils incurred in the prior years. The Group has sought PRC legal opinion that these balances can be credited to the income statement according to the applicable PRC laws and regulations.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

6 (Loss)/profit before taxation

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

		2008 '000	2007 '000
(a)	Finance costs:		
	Continuing operations:		
	Interest on bank advances and other borrowings wholly repayable within five years	**4,333**	2,628
	Interest on loan from a related company (note 34(b))	**2,556**	279
		6,889	2,907
	Discontinued operations: (note 10)		
	Interest on bank advances and other borrowings wholly repayable within five years	**–**	16,427
		6,889	19,334
(b)	Staff costs (including directors' remuneration)		
	Continuing operations:		
	Salaries, wages and bonuses	**7,769**	9,996
	Staff welfare	**222**	675
	Contributions to retirement benefit schemes	**1,034**	909
	Equity-settled share-based payment expenses	**11,810**	3,922
	Termination benefits	**1,236**	1,741
		22,071	17,243
	Discontinued operations: (note 10)		
	Salaries, wages and bonuses	**–**	4,365
	Staff welfare	**–**	522
	Contributions to retirement benefit schemes	**–**	596
	Termination benefits	**–**	121
		–	5,604
		22,071	22,847

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

6 (Loss)/profit before taxation (Continued)

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

		2008 '000	2007 '000
(c)	Other items:		
	Continuing operations:		
	Amortisation of land lease premium	**426**	538
	Auditor's remuneration		
	– audit service	**850**	1,617
	Cost of inventories sold	**136,028**	137,934
	Depreciation	**5,205**	6,049
	Impairment losses		
	– trade receivables (note 20(d))	**1,111**	1,274
	– loan receivables (note 20(a))	**37,802**	–
	– other receivables (note 20(b))	**5,208**	62
		44,121	1,336
	Operating lease charges in respect of properties	**1,255**	3,038
	Rental income less outgoings	**(395)**	(843)
	Discontinued operations: (note 10)		
	Auditors' remuneration	**–**	1,201
	Cost of inventories sold	**–**	8,409
	Impairment losses		
	– trade and other receivables, deposits and prepayments	**–**	5,191
	Operating lease charges in respect of properties	**–**	896
	Write-back of impairment losses for bad and doubtful debts	**–**	(73,673)

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

7 Taxation

(a) Continuing operations:

(i) Taxation in the consolidated income statement represents:

	2008 '000	2007 '000
Current tax	**–**	–
Deferred tax	**–**	–
Total income tax expense	**–**	–

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

	2008 '000	2007 '000
Loss before tax	**(52,209)**	(18,830)
Notional tax on loss before tax, calculated at the rates applicable to the tax jurisdiction concerned	**(11,043)**	(2,832)
Non-deductible expenses	**14,250**	909
Non-taxable income	**(2,576)**	(401)
Utilisation of previously unrecognised tax losses	**(5,686)**	(891)
Unused tax losses not recognised	**5,055**	3,215
Actual tax expense	**–**	–

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

7 Taxation (Continued)

(b) Discontinued operations: (note 10)

(i) Taxation in the consolidated income statement represents:

	2008 '000	2007 '000
Current tax	–	–
Deferred tax	–	–
Total income tax expense	–	–

(ii) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2008 '000	2007 '000
Profit before tax	–	154,588
Notional tax on profit/(loss) before tax, calculated at the rates applicable to the tax jurisdiction concerned	–	24,463
Non-deductible expenses	–	6,846
Non-taxable income	–	(26,319)
Utilisation of previously unrecognised tax losses	–	(7,059)
Unused tax losses not recognised	–	2,069
Actual tax expense	–	–

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

7 Taxation (Continued)

(c) Applicable tax rates

Hong Kong Special Administrative Region

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profits tax rate from 17.5% to 16.5% which is effective from the year of assessment 2008/2009. Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profit subject to Hong Kong Profits Tax during the years ended 31 December 2008 and 2007.

The PRC

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	2008	2007
Continuing operations:			
Beijing China Force Huarui Management Consultant Co., Ltd. ("China Force (Beijing)")		**25%**	33%
Shanghai China Force Huaxu Management Consultant Co., Ltd. ("China Force (Shanghai)")		**25%**	33%
China Force Oils (Tianjin) Co., Ltd. ("China Force Oils (Tianjin)")		**18%**	15%
China Force Oils (Zhenjiang) Co., Ltd. ("China Force Oils (Zhenjiang)")		**25%**	24%
Discontinued operations:			
China Force Oils & Grains Industrial (Zhenjiang) Co., Ltd. ("China Force (Zhenjiang)")	(i)	**25%**	24%
China Force Oils & Grains (Tianjin) Industry Co., Ltd. ("China Force (Tianjin)")	(ii)	**N/A**	15%

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 2008.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

7 Taxation (Continued)

(c) Applicable tax rates (Continued)

The PRC (Continued)

Notes:

(i) China Force (Zhenjiang) discontinued operations during the year ended 31 December 2007.

(ii) China Force (Tianjin) was disposed of during the year ended 31 December 2007.

The National People's Congress of the PRC approved the Corporate Income Tax Law of the PRC (the "New Tax Law") on 16 March 2007. With effective from 1 January 2008, the tax rate applicable to enterprises established in the PRC will be unified at 25% with certain grandfather provisions and preferential provisions.

Under the New Tax Law, any utilised tax holidays can continue until expiry, and tax holidays will be deemed to start from 1 January 2008 even if the company is not yet turning to a profit.

China Force Oils (Tianjin) and China Force Oils (Zhenjiang) are entitled to exemption from the PRC income tax for two years from their first profit making year, followed by a 50% tax relief for the next three years. They had not generated any assessable profit since their respective date of incorporation. Under the New Tax Law, they were forcibly to commence the tax holidays from 1 January 2008. China Force Oils (Tianjin) was entitled to a reduced tax rate of 18% (2007: 15%) and all other PRC subsidiaries were subject to 25% income tax rate during the year.

No provision for PRC income tax has been provided for the Group's subsidiaries in the PRC as they did not have any assessable profits or they had respective tax losses brought forward which exceeded the assessable profits during the years ended 31 December 2008 and 2007.

The Cayman Islands and the British Virgin Islands

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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

8 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 (a)) '000	2008 Total '000
Executive directors							
Mr Lim Wa	–	1,267	–	12	1,279	633	1,912
Mr Lam Cham	–	1,267	–	12	1,279	675	1,954
Mr Chang Yim Yang (note (b))	–	–	–	–	–	–	–
Independent non-executive directors							
Professor Xiao Zhuo Ji	180	–	–	–	180	83	263
Dr Wong Lung Tak, Patrick	120	–	–	–	120	83	203
Mr Chan Kin Sang	120	–	–	–	120	83	203
Total	420	2,534	–	24	2,978	1,557	4,535

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

8 Directors' remuneration (Continued)

	Directors' fees '000	Salaries, allowances and benefits in kind '000	Discretionary bonuses '000	Retirement scheme contributions '000	Sub-total '000	Share-based payments (note (a)) '000	2007 Total '000
Executive directors							
Mr Lim Wa	–	1,200	–	12	1,212	–	1,212
Mr Lam Cham	–	1,200	–	12	1,212	389	1,601
Mr Ding Ming Shan (note (c))	–	733	–	11	744	207	951
Mr Lixiao Ning (note (d))	–	318	–	14	332	207	539
Independent non-executive directors							
Professor Xiao Zhuo Ji	237	–	–	–	237	–	237
Dr Wong Lung Tak, Patrick	158	–	–	–	158	–	158
Mr Chan Kin Sang	158	–	–	–	158	–	158
Total	553	3,451	–	49	4,053	803	4,856

Notes:

(a) 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 2(n). Details of these benefits in kind are disclosed under the paragraph "Share Option Scheme" in the directors' report and note 27.

(b) Mr. Chang Yim Yang appointed at 19 June 2008.

(c) Mr Ding Ming Shan resigned on 9 November 2007.

(d) Mr Lixiao Xing resigned on 4 September 2007.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

9 Individuals with highest emoluments

Of the five individuals with the highest emoluments, two (2007: three) are directors of whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other three (2007: two) individual are as follows:

	2008 '000	2007 '000
Salaries and other emoluments	**821**	698
Share-based payments	**585**	52
Retirement scheme contributions	**19**	46
Termination benefits	**–**	1,334
	1,425	2,130

The emoluments of the three (2007: two) individuals with the highest emoluments are within the following bands:

$	**2008 Number of individuals**	2007 Number of individuals
Nil – 1,000,000	**3**	1
1,000,001 – 1,500,000	**–**	1

10 Discontinued operations

The Group's edible oils fractionation and refining operations were discontinued following the completion of the transfer of the entire equity interests in China Force (Tianjin) (the "Share Transfer") and the disposal of certain edible oils refinery, fractionation, distribution and related assets in China Force (Zhenjiang) (the "Disposals") in August 2007.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

10 Discontinued operations (Continued)

(a) The result of the discontinued operations for the year ended 31 December 2007 is as follows:

	Notes	2007 '000
Turnover	4	19,863
Cost of sales		(8,409)
Gross profit		11,454
Write-back of impairment losses for bad and doubtful debts		73,673
Other revenue	5	345
Other net income	5	315
Impairment losses on non-current assets		–
Selling and distribution costs		(4,180)
Administrative expenses		(19,726)
Profit from operations		61,881
Gain on assets of a disposal group classified as held for sale through		
– disposal of assets	23(b)	28,714
– disposal of subsidiaries	31	80,420
Finance costs	6(a)	(16,427)
Profit before taxation	6	154,588
Income tax	7(b)	–
Profit for the year		154,588

(b) The net cash flow of the discontinued operations for the year ended 31 December 2007 is as follows:

	2007 '000
Net cash outflow from operating activities	(140,732)
Net cash inflow from investing activities	351,615
Net cash outflow from financing activities	(194,637)
Net cash outflow incurred by the discontinued operations	16,246

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

11 Loss attributable to equity holders of the Company

The consolidated loss attributable to equity holders of the Company includes a loss of $20,533,000 (2007: loss of $4,654,000) 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:

	2008 '000	2007 '000
Amount of loss attributable to equity holders dealt with in the Company's financial statements	**(20,533)**	(4,654)
Reversal of impairment losses on investment in subsidiaries and amounts due from subsidiaries	**1,348**	19,311
Impairment loss on amounts due from subsidiaries	**(1,329)**	–
Company's (loss)/profit for the year (note 28(b))	**(20,514)**	14,657

12 Dividend

The directors do not recommend the payment of a final dividend for the year ended 31 December 2008 (2007: $Nil).

13 (Loss)/earnings per share

(a) Basic (loss)/earnings per share

	2008		2007	
	Loss attributable to equity shareholders '000	**Weighted average number of ordinary shares '000**	Loss attributable to equity shareholders '000	Weighted average number of ordinary shares '000
Continuing operations	**(52,209)**	**882,520**	(18,830)	800,000
Discontinued operations	**–**	**–**	154,588	800,000
	(52,209)	**882,520**	135,758	800,000

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

13 (Loss)/earnings per share (Continued)

(b) Diluted (loss)/earnings per share

No diluted loss per share is presented during the year ended 31 December 2008 as the exercises of the potential dilutive ordinary shares would result in a reduction in loss per share. There were no dilutive potential ordinary shares in issue during the year ended 31 December 2007 as the historical market price of the Company's shares were below the exercise price of the share option. Therefore, the diluted (loss)/earnings per share is same as the basic (loss)/earnings per share during the years ended 31 December 2008 and 2007.

14 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:

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

Trading of edible oils and related product.

Edible oils fractionation and refining: production and sale of edible oils and related logistics and processing services (discontinued during the year ended 31 December 2007).

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

14 Segment reporting (Continued)

Business segments (Continued)

	Continuing operations				Discontinued operations							
	Small pack edible oils		Trading of edible oils and related products		Edible oils fractionation and refining		Inter-segment elimination		Unallocated		Consolidated	
	2008 '000	2007 '000	2008 '000	2007 '000	2008 '000	2007 '000	2008 '000	2007 '000	2008 '000	2007 '000	2008 '000	2007 '000
Revenue from external customers	136,876	57,294	2,665	93,435	-	19,863	-	–	-	–	139,541	170,592
Inter-segment revenue	-	787	-	134	-	385	-	(1,306)	-	–	-	–
Total	136,876	58,081	2,665	93,569	-	20,248	-	(1,306)	-	–	139,541	170,592
Segment result	(41,449)	(15,035)	(3,562)	(888)	-	61,881			(309)	–	(45,320)	45,958
Finance costs	(6,713)	(2,907)	(176)	–	-	(16,427)			-	–	(6,889)	(19,334)
Gain/(loss) on assets of a disposal group classified as held for sale through												
– disposal of assets	-	–	-	–	-	28,714			-	–	-	28,714
– disposal of subsidiaries	-	–	-	–	-	80,420			-	–	-	80,420
Income tax expense	-	–	-	–	-	–			-	–	-	–
(Loss)/profit for the year											(52,209)	135,758
Depreciation and amortisation for the year	4,953	5,981	678	606	-	–			-	–	5,631	6,587
Impairment losses on trade and other receivables, deposits and prepayment	44,117	1,275	4	61	-	5,191			-	–	44,121	6,527
Segment assets	92,933	191,583	3,482	83,822	-	–	-	(68,884)	46,597	–	143,012	206,521
Segment liabilities	(22,719)	(11,755)	(5,804)	(130,507)	-	–	-	68,884	-	–	(28,523)	(73,378)
Interest-bearing borrowings	(44,834)	(68,368)	-	–	-	–	-	–	-	–	(44,834)	(68,368)
Total liabilities									-	–	(73,357)	(141,746)
Capital expenditure incurred during the year	563	5,264	558	6	-	668			-	–	1,121	5,938

Geographical segments

The Group's turnover and results from operations mainly derived from activities in the PRC. The principal assets of the Group are located in the PRC. Accordingly, no analysis by geographical segment is provided.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

15 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
Cost:							
At 1 January 2008	47,090	31,088	1,290	3,243	82,711	23,713	106,424
Exchange adjustments	2,808	1,854	77	176	4,915	1,415	6,330
Additions	–	326	537	54	917	10	927
Transfer from construction in progress (note 16)	668	–	–	–	668	–	668
Disposals	(26,174)	(6,862)	–	(272)	(33,308)	(12,843)	(46,151)
At 31 December 2008	24,392	26,406	1,904	3,201	55,903	12,295	68,198
Accumulated amortisation and depreciation:							
At 1 January 2008	4,152	5,398	755	1,693	11,998	1,516	13,514
Exchange adjustments	286	385	52	97	820	100	920
Charge for the year	1,665	2,715	296	529	5,205	426	5,631
Written back on disposal	(2,837)	(1,632)	–	(124)	(4,593)	(989)	(5,582)
At 31 December 2008	3,266	6,866	1,103	2,195	13,430	1,053	14,483
Net book value:							
At 31 December 2008	21,126	19,540	801	1,006	42,473	11,242	53,715

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

15 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
Cost:							
At 1 January 2007	41,013	38,724	1,400	2,966	84,103	22,124	106,227
Exchange adjustments	3,031	2,303	93	198	5,625	1,589	7,214
Additions	5	185	–	93	283	–	283
Transfer from construction in progress (note 16)	4,559	705	–	–	5,264	–	5,264
Disposals	(1,518)	(991)	(203)	(14)	(2,726)	–	(2,726)
Transfer to non-current assets classified as held for sale	–	(9,838)	–	–	(9,838)	–	(9,838)
At 31 December 2007	47,090	31,088	1,290	3,243	82,711	23,713	106,424
Accumulated amortisation and depreciation:							
At 1 January 2007	1,846	3,038	561	1,111	6,556	893	7,449
Exchange adjustments	212	276	47	89	624	85	709
Charge for the year	2,207	3,083	252	507	6,049	538	6,587
Written back on disposal	(113)	(178)	(105)	(14)	(410)	–	(410)
Transfer to non-current assets classified as held for sale	–	(821)	–	–	(821)	–	(821)
At 31 December 2007	4,152	5,398	755	1,693	11,998	1,516	13,514
Net book value:							
At 31 December 2007	42,938	25,690	535	1,550	70,713	22,197	92,910

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

15 Fixed assets (Continued)

The Group (Continued)

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

	2008 '000	2007 '000
Outside Hong Kong		
– Medium-term leases	**32,368**	65,135
	32,368	65,135
Representing:		
Land and buildings held for own use carried at cost	**21,126**	42,938
Interests in leasehold land held for own use under operating leases	**11,242**	22,197
	32,368	65,135

Medium-term leases represent leases with an unexpired period less than fifty years but more than ten 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 25.

(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 Zhenjiang, the PRC.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

15 Fixed assets (Continued)

The Group (Continued)

(c) Fixed assets leased out under operating leases

The Group leases out certain building areas situated in Zhenjiang, the PRC under operating leases. The leases typically run for an initial period of eight to ten years. The leases do not include contingent rentals.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2008 '000	2007 '000
Within one year	**306**	291
After one year but within five years	**1,172**	1,164
After five years	**375**	624
	1,853	2,079

16 Construction in progress

	The Group	
	2008 '000	2007 '000
Cost:		
At 1 January	**746**	10,609
Exchange adjustment	**44**	236
Additions	**194**	4,987
Transfer to fixed assets (note 15)	**(668)**	(5,264)
Transfer to non-current assets classified as held for sale	**–**	(9,822)
At 31 December	**316**	746

The construction in progress at 31 December 2008 and 2007 primarily relates to the additional production premises and facilities of subsidiaries in the PRC.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

17 Deposit for proposed acquisition of equity interests in gold mining rights

During the year, China Precious Metal Resources Co., Limited, a wholly owned subsidiary of the Company, entered into a conditional letter of intent with Harmonie Developments Limited (the "Seller"), an independent third party, pursuant to which the Group will acquire the entire equity interests in Able Supplement, a wholly owned subsidiary of the Seller, together with its subsidiaries, which holds certain exploitation rights for gold mines located in Inner Mongolia, the PRC, subject to terms and consideration to be agreed and results of the due diligences currently being conducted by the Group. During the year, the Group has paid a refundable deposit of HK$46,500,000 to the Seller and entered into a share mortgage agreement with Able Supplement pursuant to which Able Supplement has pledged the entire equity interest in its wholly owned subsidiary, Hongkong Realking Mining Industry Limited, which holds certain exploitation rights for gold mines, as collateral of the deposit paid by the Group. As the date of this report, the acquisition transaction has not yet been completed. Further details are set out in the Company's announcement dated 23 September 2008.

18 Investments in subsidiaries

	The Group	
	2008	2007
	'000	'000
Unlisted shares, at cost	**137,989**	137,989
Less: Impairment loss	**(137,989)**	(137,989)
	–	–

An impairment of $137,989,000 was recognised for investment in a subsidiary in the prior year as the recoverable amount of the subsidiary was less than its investment cost.

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group for the year ended 31 December 2008. The class of shares held is ordinary unless otherwise stated.

All of these are controlled subsidiaries as defined under note 2(c) and have been consolidated into the Group's financial statements.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

18 Investments in subsidiaries (Continued)

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
China Force Oils & Grains Industrial Limited	BVI/ Hong Kong	US$12,000	100	100	–	Investment holding
China Precious Metal Resources Co., Limited	BVI/ Hong Kong	US$1	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 consultation 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$11,034	100	–	100	Production and sale of small pack edible oils

Notes:

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

19 Inventories

(a) Inventories in the consolidated balance sheet comprise:

	The Group	
	2008	2007
	'000	'000
Small pack oils	**427**	1,957
Packing materials	**1,160**	2,082
Vegetable oil	**–**	56
Other oils	**286**	51
Sunflower seed oil	**1,744**	40
Other materials	**145**	129
Continuing operations	**3,762**	4,315
Discontinued operations	**–**	–
	3,762	4,315

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

	The Group	
	2008	2007
	'000	'000
Continuing operations:		
Carrying amount of inventories sold	**136,195**	137,034
Reversal of write-down of inventories	**(167)**	–
Write-down of inventories	**–**	900
	136,028	137,934
Discontinued operations: (note 10)		
Carrying amount of inventories sold	**–**	8,409
	–	8,409
	136,028	146,343

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

20 Trade and other receivables, deposits and prepayments

	Note	The Group 2008 '000	The Group 2007 '000	The Company 2008 '000	The Company 2007 '000
Trade debtors and bills receivables		**23,755**	10,410	**–**	–
Less: Allowance for doubtful debts	(d)	**(5,891)**	(4,532)	**–**	–
		17,864	5,878	**–**	–
Amount due from a subsidiary	(f)	**–**	–	**46,606**	–
Long-term receivable	(a)	**–**	55,607	**–**	–
Deposits, prepayments and other receivables	(b)	**13,171**	14,171	**1,463**	183
Prepayments for purchases of raw materials		**748**	12,212	**–**	–
		31,783	87,868	**48,069**	183
Non-current portion of long-term receivable	(a)	**–**	(46,300)	**–**	–
		31,783	41,568	**48,069**	183

Notes:

(a) Upon completion of the Share Transfer on 29 May 2007 (note 10), the amount due from China Force (Tianjin) is unsecured and repayable as follows:

	The Group 2008 '000	The Group 2007 '000
Within one year	**–**	9,307
After one year but within two years	**37,802**	8,664
After two years but within five years	**–**	37,636
	37,802	46,300
	37,802	55,607
Less: Impairment loss	**(37,802)**	–
	–	55,607

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

20 Trade and other receivables, deposits and prepayments (Continued)

Notes: (Continued)

(a) (Continued)

In the opinion of the Company's directors, China Force (Tianjin) was in financial difficulty, in view of the uncertainty of the recovery of the amount, an impairment of the full amount of $37,802,000 has been recognised in the Group's financial statements for the year ended 31 December 2008.

The fair value of amount due from China Force (Tianjin) is estimated by the directors based on cash flows discounted using a discount rate of 7.43% by reference to the relevant borrowing rate of the People's Bank of China plus appropriate credit rating.

(b) At 31 December 2008, the Group's other receivables of $5,208,000 (2007: 62,000) were individually determined to be impaired. In the opinion of the Company's directors, these receivables were outstanding over a long period and may not be recovered, these specific allowances for doubtful debts of $5,208,000 (2007: 62,000) were recognised. The Group does not hold any collateral over these balances. During the year, the Group reversed impairment loss on other receivables of $1,186,000 (2007: $Nil) as these receivables were recovered.

Except as noted in (a) above, all of the trade and other receivables, deposits and prepayments are expected to be recovered or recognised as expenses within one year.

(c) Ageing analysis

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

	The Group	
	2008	2007
	'000	'000
Current	**5,642**	2,359
Less than one month past due	**9,163**	1,184
More than one month but less than three months past due	**1,878**	895
More than three months but less than twelve months past due	**1,181**	1,440
Amounts past due	**12,222**	3,519
	17,864	5,878

Trade debtors and bills receivables are due within one month from the date of billing.

(d) The movement in the allowance for doubtful debts on trade debtors during the year, including both specific and collective loss components, are as follows:

	The Group	
	2008	2007
	'000	'000
At 1 January	**4,532**	3,019
Exchange adjustment	**248**	239
Impairment loss recognised	**1,111**	1,274
At 31 December	**5,891**	4,532

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

20 Trade and other receivables, deposits and prepayments (Continued)

Notes: (Continued)

(d) (Continued)

At 31 December 2008, the Group's trade debtors of $1,111,000 (2007: $1,274,000) were individually determined to be impaired. In the opinion of the Company's directors, these receivables were outstanding over a long period and may not recovered, specific allowances for doubtful debts of $1,111,000 (2007: $1,274,000) were recognised. The Group does not hold any collateral over these balances.

(e) Trade debtors and bills receivable that are not impaired

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2008	2007
	'000	'000
Neither past due nor impaired	**5,642**	2,359
Less than one month past due	**9,163**	1,184
More than one month but less than three months past due	**1,878**	895
More than three months but less than twelve months past due	**1,181**	1,440
	12,222	3,519
	17,864	5,878

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(f) The amount due from a subsidiary is unsecured, interest free and has no fixed terms of repayment.

21 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	
	2008	2007	**2008**	2007
	'000	'000	**'000**	'000
Cash at bank	**6,870**	18,659	**72**	89
Cash in hand	**32**	309	**–**	–
Cash and cash equivalents in the consolidated balance sheet and cash flow statement	**6,902**	18,968	**72**	89

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

21 Cash and cash equivalents (Continued)

Cash and cash equivalents are denominated in:

	The Group		The Company	
	2008	2007	**2008**	2007
	'000	'000	**'000**	'000
RMB	**5,500**	7,428	**–**	–
USD	**1,272**	6,744	**16**	18
EUR	**–**	2	**–**	–
HK$	**130**	4,794	**56**	71
	6,902	18,968	**72**	89

22 Other deposits

The Group has placed deposits of $10,000 (2007: $11,000) 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 2008, there is no outstanding commodity derivative contracts or commitments in respect of purchases of raw materials (2007: $Nil).

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

The carrying amount of major classes of assets and liabilities classified as non-current assets were analysed as follows:

	The Group	
	2008	2007
	'000	'000
Non-current assets classified as held for sale	**–**	1,671

(a) The non-current assets classified as held for sale represented an item of equipment with carrying amount of $1,671,000. As the carrying amount of this equipment was recovered through sale transaction, it had been presented as non-current assets held for sale as at 31 December 2007. As the expected disposal proceeds exceeded its carrying amount, no impairment loss had 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 as at 31 December 2006. The Disposals were completed in August 2007 (note 10), with the resulted gain on disposal of $28,714,000 credited to profit or loss during the year ended 31 December 2007.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

23 Non-current assets and assets of a disposal group classified as held for sale

(b) (Continued)

In addition, a PRC independent third party filed in December 2006 a claim against a subsidiary of the Group. Accordingly, certain assets of China Force (Zhenjiang) 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 edible oils refinery, fractionation, distribution and related assets in China Force (Zhenjiang), its entire interest in China Force Modern Storage & Transportation (Zhenjiang) Co., Ltd. ("China Force Modern Storage"), the entire interest in China Force Protein Biotechnology (Zhenjiang) Co., Ltd. ("China Force Protein") and accounts receivable from Central Grain Reserve Dongguan Oils & Grains Co., Ltd.. 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 Disposals were completed in August 2007 (note 10) and the frozen assets were released.

24 Trade and other payables

		The Group		The Company	
		2008	2007	**2008**	2007
	Note	**'000**	'000	**'000**	'000
Trade creditors	(a)	**9,850**	21,080	**–**	–
Amounts due to subsidiaries	(b)	**–**	–	**11,364**	13
Accrued charges and other payables		**17,196**	59,098	**4,034**	529
Receipts in advance		**1,368**	10,073	**–**	–
		28,414	90,251	**15,398**	542
Long-term payable	(c)	**–**	(17,164)	**–**	–
		28,414	73,087	**15,398**	542

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

	2008	2007
	'000	'000
Due within three months	**1,231**	10,869
Due within six months	**55**	–
Due after one year	**8,564**	10,211
	9,850	21,080

(b) The amounts due to subsidiaries are unsecured, interest free and have no fixed terms of repayment.

(c) The fair value of the long-term payable which is interest free, unsecured and with maturity date on 30 June 2009 was based on cash flows discounted at a rate of 8.32% per annum, which was determined by reference to the relevant borrowing rate of the People's Bank of China plus appropriate credit rating.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

25 Bank loans

At 31 December 2008, the bank loans were repayable within one year or on demand and analysed as follows:

	The Group					
	2008			2007		
	Book value of pledged assets '000	Interest rate %	Bank loans '000 note (a)	Book value of pledged assets '000	Interest rate %	Bank loans '000 note (b)
Bank loans secured by						
Fixed assets	**32,368**	**6.66-9.71**	**37,025**	28,304	7.23-9.48	40,193
			37,025			40,193

(a) As at 31 December 2008, the Group's bank loans of $37,025,000 (2007: $40,193,000) were secured by the Group's fixed assets with a net book value of $32,368,000 (2007: $28,304,000) (note 15(a)).

(b) As at 31 December 2007, the Group breached a covenant of one of the banking facilities amounting to $18,757,000 which required that turnover of China Force Oils (Zhenjiang) would not be less than a specific amount and the loans drawn under this facility which originally matured in February to April 2008 might become repayable on demand then. The Group actively negotiated with the relevant bank for extension of the loans. Subsequently, the breached covenant was fulfilled in March 2008 and the relevant bank loans of $18,757,000 were fully repaid in February to April 2008 on due dates.

26 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, Beijing and Shanghai 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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

27 Equity settled share-based transactions

The Company has two share option schemes namely, the Pre-IPO Share Option Scheme and the Share Option Scheme (collectively called the "Share Option Schemes") 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 160,000,000 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.

(a) Pre-IPO Share Option Scheme

(i) 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:

	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	
		Fourth anniversary of the listed date	80	
		Fifth anniversary of the listed date	100	

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

27 Equity settled share-based transactions (Continued)

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

(i) (Continued)

	Number of instruments	Vesting conditions and exercisable percentage condition	Up to %	Contractual life of options
Option 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	
		Fourth anniversary of the listed date	80	
		Fifth anniversary of the listed date	100	
Total share option	64,000,000			

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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

27 Equity settled share-based transactions (Continued)

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

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

	2008		2007	
	Exercise price	**Number of options '000**	Exercise price	Number of options '000
Outstanding at 1 January	**1.23**	**52,830**	1.23	61,850
Forfeited during the year	**1.23**	**(48,980)**	1.23	(9,020)
Outstanding at 31 December	**1.23**	**3,850**	1.23	52,830
Exercisable at 31 December	**1.23**	**3,080**	1.23	10,566

(iii) 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 binomial lattice model. 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.

Fair value of share options and assumptions for share options granted in 2004

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%

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

27 Equity settled share-based transactions (Continued)

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

(iii) (Continued)

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 publicly 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.

(b) Share Option Scheme

(i) 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:

	Number of instruments	Vesting conditions	Contractual life of options
Tranche 1 – Options granted on 2 January 2008			
– Directors	9,600,000	3 months from date of grant	3 years
– Employees	17,570,000	3 months from date of grant	3 years
	27,170,000		
Tranche 2 – Options granted on 20 March 2008			
– Directors	7,800,000	3 months from date of grant	3.2 years
– Employees	39,000,000	3 months from date of grant	3.2 years
	46,800,000		
Tranche 3 – Options granted on 18 June 2008			
– Consultants	33,200,000	3 months from date of grant	3.2 years
Total share options	107,170,000		

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

27 Equity settled share-based transactions (Continued)

(b) Share Option Scheme (Continued)

(ii) The number and weighted average exercise prices of share options are as follows:

	2008 Exercise price	2008 Number of options granted	2007 Exercise price	2007 Number of options granted
Outstanding at 1 January	–	–	–	–
Granted during the year and outstanding as at 31 December				
Tranche 1	0.270	27,170,000	–	–
Tranche 2	0.292	46,800,000	–	–
Tranche 3	0.350	33,200,000	–	–
		107,170,000	–	–
Exercisable at 31 December				
Tranche 1	0.270	27,170,000	–	–
Tranche 2	0.292	46,800,000	–	–
Tranche 3	0.350	33,200,000	–	–
		107,170,000	–	–

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

27 Equity settled share-based transactions (Continued)

(b) Share Option Scheme (Continued)

(iii) 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 share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial model.

Fair value of share options and assumptions for share options granted in 2008

	Tranch 1	Tranch 2	Tranch 3
Fair value at measurement date	$0.080	$0.064	$0.142
Share price	$0.270	$0.255	$0.35
Exercise price	$0.270	$0.292	$0.35
Expected volatility	62%	64%	65%
Option life (expressed as weighted average life used in the modelling under the binomial model)	3 years	3.2 years	3.2 years
Expected dividends	0%	0%	0%
Risk-free interest rate (based on Exchange Fund Notes)	2.739%	1.342%	3.342%

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 based on public 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.

(c) The Group recognised the fair value of the share options granted under Share Option Schemes during the year in equity settled share-based payment expenses and the reserve of the Group of $11,810,000 (2007: 3,922,000) during the year.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

28 Capital and reserves

(a) The Group

	Share capital '000 (note (c))	Share premium '000 (note (e)(ii))	Statutory reserves '000 (note (e)(v))	Warrants reserve '000 (note (d))	Capital reserve '000 (note (e)(iii))	Exchange reserve '000 (note (e)(iv))	Accumulated losses '000	Amounts recognised directly in equity relating to non-current assets and a disposal group classified as held for sale '000	Total equity '000
At 1 January 2008	100,000	267,223	15,924	–	20,457	4,123	(342,952)	–	64,775
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	–	–	–	–	–	3,562	–	–	3,562
Equity settled share-based transactions									
– Amount recognised during the year	–	–	–	–	11,810	–	–	–	11,810
– Forfeiture of share options	–	–	–	–	(20,750)	–	20,750	–	–
Loss for the year	–	–	–	–	–	–	(52,209)	–	(52,209)
Issue of new shares	17,500	23,300	–	–	–	–	–	–	40,800
Issue of warrants	–	–	–	1,400	–	–	–	–	1,400
Transaction costs attributable to issue of new shares and warrants	–	(483)	–	–	–	–	–	–	(483)
At 31 December 2008	117,500	290,040	15,924	1,400	11,517	7,685	(374,411)	–	69,655
At 1 January 2007	100,000	267,223	15,924	–	19,945	2,865	(482,120)	18,375	(57,788)
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	–	–	–	–	–	1,258	–	(721)	537
Equity settled share-based transactions									
– Amount recognised during the year	–	–	–	–	3,922	–	–	–	3,922
– Forfeiture of share options	–	–	–	–	(3,410)	–	3,410	–	–
Profit for the year	–	–	–	–	–	–	135,758	–	135,758
Disposals of subsidiaries and non-current assets and a disposal group classified as held for sale	–	–	–	–	–	–	–	(17,654)	(17,654)
At 31 December 2007	100,000	267,223	15,924	–	20,457	4,123	(342,952)	–	64,775

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

28 Capital and reserves (Continued)

(b) The Company

	Share capital '000 (note (c))	Share premium '000 (note (e)(ii))	Contributed surplus '000 (note (e)(i))	Warrants reserve '000 (note (d))	Capital reserve '000 (note (e)(iii))	Accumulated losses '000	Total '000
At 1 January 2008	100,000	267,223	91,457	–	20,457	(479,407)	(270)
Equity settled share-based transactions							
– Amount recognised during the year	–	–	–	–	11,810	–	11,810
– Forfeiture of share options	–	–	–	–	(20,750)	20,750	–
Loss for the year	–	–	–	–	–	(20,514)	(20,514)
Issue of new shares	17,500	23,300	–	–	–	–	40,800
Issue of warrants	–	–	–	1,400	–	–	1,400
Transaction costs attributable to issue of new shares and warrants	–	(483)	–	–	–	–	(483)
At 31 December 2008	117,500	290,040	91,457	1,400	11,517	(479,171)	32,743
At 1 January 2007	100,000	267,223	159,767	–	19,945	(495,065)	51,870
Equity settled share-based transactions							
– Amount recognised during the year	–	–	–	–	3,922	–	3,922
– Forfeiture of share options	–	–	–	–	(3,410)	1,001	(2,409)
Profit for the year	–	–	–	–	–	14,657	14,657
Disposals of subsidiaries	–	–	(68,310)	–	–	–	(68,310)
At 31 December 2007	100,000	267,223	91,457	–	20,457	(479,407)	(270)

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

28 Capital and reserves (Continued)

(c) Share capital

Authorised and issued share capital

	2008		2007	
	No. of shares '000	**Amount '000**	No. of shares '000	Amount '000
Authorised:				
Ordinary shares of $0.125 each	**3,200,000**	**$400,000**	3,200,000	$400,000
Ordinary shares, issued and fully paid:				
At 1 January	**800,000**	**$100,000**	800,000	$100,000
Issue of shares (note (i))	**140,000**	**$17,500**	–	–
At 31 December	**940,000**	**$117,500**	800,000	$100,000

(i) On 22 May 2008, the Company issued and allotted 100,000,000 new ordinary shares of $0.125 each at the issue price of $0.28 each. These shares rank pari passu in all respects with other shares in issue.

On 15 August 2008, the Company issued and allotted 40,000,000 new ordinary shares of $0.125 each at the issue price of $0.32 each. These shares rank pari passu in all respects with other shares in issue.

(ii) 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 with regard to the Company's residual assets.

(d) Warrants

On 26 September 2008, the Company entered into a warrant subscription agreement with three independent parties (the "Subscribers") pursuant to which the Subscribers agreed to subscribe 140,000,000 warrants at the issue price of $0.01 per each warrant. Each warrant holder is entitled the right to subscribe for one new ordinary share of the Company at an exercise price of $0.36 per share for a period of two years commencing from the date of the warrants issued.

During the year ended 31 December 2008, no new share was issued on the warrants.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

28 Capital and reserves (Continued)

(e) Nature and purpose of reserves

(i) Contributed surplus

Pursuant to a group 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.

(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 2(n)(ii).

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of subsidiaries outside Hong Kong.

(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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

28 Capital and reserves (Continued)

(e) Nature and purpose of reserves (Continued)

(v) Statutory reserves (Continued)

(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

One of the subsidiaries in the PRC is 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 nondistributable other than on liquidation. The transfer to this fund must be made before distribution of a dividend to shareholders.

(f) Distributability of reserves

At 31 December 2008, the aggregate amount of reserves available for distribution to equity holders of the Company was $Nil (2007: $Nil).

(g) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

28 Capital and reserves (Continued)

(g) Capital management (Continued)

At 31 December 2008, the Group had bank loans amounting to $37,025,000 (2007: $40,193,000) which is repayable within one year. The gearing ratio, representing the ratio of total borrowings and long-term payable net of cash and cash equivalents to the total share capital and reserves of the Group was 54.5% at 31 December 2008 (2007: 76.3%).

The Group has been actively negotiating with its principal bankers to secure continual support and actively discussing with prospective investors to obtain new working capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements in either the current or prior year.

29 Deferred taxation

Deferred tax assets not recognised

Continuing operations

In accordance with the accounting policy set out in note 2(o), the Group has not recognised deferred tax assets in respect of cumulative tax losses of $193,258,000 (2007: $168,755,000) 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 three to five years except for an amount of $145,979,000 (2007: $132,198,000) which do not expire under current tax legislation.

Discontinued operations

In accordance with the accounting policy set out in note 2(o), the Group has not recognised deferred tax assets in respect of cumulative tax losses of $176,179,000 (2007: $135,097,000) 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 three to five years.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

30 Financial instruments

Exposures to credit, liquidity, interest rate and currency risks arise in the normal course of the Group's business. The Group is also exposed to commodity price risk arising from any unexpected changes in price of oil commodity. 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 exposure 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 due within one month from the date of billing. 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, there is certain concentration of credit risk as 59% (2007: 13%) of the total trade debtors was due from the Group's five largest customers. While the amount due from the Group's largest customer represented 18% of the total trade debtors at 31 December 2008. There was nil balance due from the Group's largest customer at 31 December 2007 as the relevant trade debts were settled before the year end date.

(b) Liquidity risk

At 31 December 2008, the Group has net current assets of approximately $23,409,000 (2007: net current liabilities of approximately $47,038,000). The Group is exposed to liquidity risk of being unable to finance its future working capital and financial requirements when they fall due. To manage liquidity risk, the Group regularly monitors its 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. At 31 December 2008, the Group had total committed bank facilities of $37,025,000 (2007: $40,193,000), and the undrawn facilities at that date were $1,704,000 (2007: $Nil).

The directors are of the opinion that the Group will be able to finance its future working capital and financial requirements as described in note 2(b) to the financial statements.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

30 Financial instruments (Continued)

(b) Liquidity risk (Continued)

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities of the continuing operations, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

	The Group									
	2008					2007				
	Carrying amount '000	Total contractual undiscounted cash flow '000	Within 1 year or on demand '000	More than 1 year but less than 2 years '000	More than 2 years but less than 5 years '000	Carrying amount '000	Total contractual undiscounted cash flow '000	Within 1 year or on demand '000	More than 1 year but less than 2 years '000	More than 2 years but less than 5 years '000
Trade and other payables	28,414	28,414	28,414	-	-	73,087	73,087	73,087	–	–
Amounts due to related companies	109	109	109	-	-	291	291	291	–	–
Bank loans	37,025	38,421	38,421	-	-	40,193	41,112	41,112	–	–
Long-term payable	-	-	-	-	-	17,164	19,350	–	19,350	–
Loan from a related company	7,809	10,468	-	-	10,468	11,011	15,988	–	–	15,988
	73,357	77,412	66,944	-	10,468	141,746	149,828	114,490	19,350	15,988

	The Company									
	2008					2007				
	Carrying amount '000	Total contractual undiscounted cash flow '000	Within 1 year or on demand '000	More than 1 year but less than 2 years '000	More than 2 years but less than 5 years '000	Carrying amount '000	Total contractual undiscounted cash flow '000	Within 1 year or on demand '000	More than 1 year but less than 2 years '000	More than 2 years but less than 5 years '000
Amounts due to subsidiaries	11,364	11,364	11,364	-	-	13	13	13	–	–
Trade and other payables	4,034	4,034	4,034	-	-	529	529	529	–	–
	15,398	15,398	15,398	-	-	542	542	542	–	–

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

30 Financial instruments (Continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from its fixed rate borrowings. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's net borrowings at the balance sheet date.

	The Group			
	2008		2007	
	Effective interest rate %	**Amount '000**	Effective interest rate %	Amount '000
Fixed rate borrowings:				
Bank loans	**8.18**	**37,025**	8.28	40,193
Long-term payable	**8.32**	**–**	8.32	17,164
Loan from a related company	**8.32**	**7,809**	8.32	11,011
		44,834		68,368

(ii) Sensitivity analysis

At 31 December 2008, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would decrease the Group's profit after tax by approximately $448,000 (2007: $535,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for fixed rate borrowings in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

30 Financial instruments (Continued)

(d) Commodity price risk

The Group is exposed to price risks arising from any unexpected increase in the prices of oil commodity before committing to purchase or raw materials and any unexpected decreases in the prices of oil commodity 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 income statement.

(e) Currency risk

The Group is exposed to 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. Given the foreign currency exposure is only to USD, sensitivity analysis to changes in foreign exchange rates is not presented thereof.

Exposure to currency risk

The following table details the Group's and the Company's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	The Group		**The Company**	
	2008	2007	**2008**	2007
	United States Dollars '000	United States Dollars '000	**United States Dollars '000**	United States Dollars '000
Cash and cash equivalents	**163**	865	**2**	2
Overall net exposure	**163**	865	**2**	2

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

30 Financial instruments (Continued)

(f) Fair values

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

(i) Bank loans

The carrying amounts of bank loans are estimated to approximate their fair value as all the bank loans are due within one year or on demand.

(ii) Amount due from China Force (Tianjin), amount due to China Force (Tianjin) and loan from a related company

The fair values are estimated as the present value of future cash flows, discounted at rates with reference to the relevant borrowing rate of the People's Bank of China plus appropriate credit rating of the respective entity within the Group.

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2008 and 2007.

31 Disposal of interests in subsidiaries

During the year ended 31 December 2007, the Group disposed of its subsidiaries, namely China Force (Tianjin), China Force Protein, China Force Modern Storage and China Force (Xiamen), to certain independent third parties in 2007 at a consideration totalling $151,001,000, of which the aggregate gain on disposal of $80,420,000 was credited to profit or loss.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

31 Disposal of interests in subsidiaries (Continued)

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

	Note	2007 '000
Net assets disposed		
Fixed assets		
– Property, plant and equipment		178,991
– Interests in leasehold land held for own use under operating leases		65,333
Deposits paid for acquisition of fixed assets		–
Construction in progress		57,986
Inventories		4,483
Trade and other receivables, deposits and prepayments		122,275
Pledged bank deposits		26,804
Cash and cash equivalents		1,186
Trade and other payables		(263,667)
Bank loans		(105,156)
		88,235
Release of reserves	28(a)	(17,654)
		70,581
Gain on disposal of subsidiaries	10(a)	80,420
		151,001
Satisfied by		
Cash		151,001
Analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiaries		
Cash and cash equivalents disposed of		(1,186)
Cash consideration received		151,001
		149,815

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

32 Commitments

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

	2008 **'000**	2007 '000
Contracted for	–	10,511

Pursuant to a real property transfer agreement (the "Property Transfer Agreement") dated 20 March 2004, the Group's subsidiary, Beijing China Force Huarui Management Consultant Co., Ltd. ("China Force (Beijing)"), acquired an office unit (the "Office") from Beijing China Force Baifu Investment Co., Ltd ("Baifu"), in which 70% equity interest was owned by Ms. Lim Yu, the sister of the Company's executive director Mr. Lim Wa, before 2007, for a consideration of $13,782,000 (equivalent to RMB12,060,000). The Office was purchased by Baifu from an independent third party developer for the same consideration by way of instalment payments to such property developer. The remaining balances of $10,511,000 (equivalent to RMB9,870,000) was included as capital commitment of the Group as at 31 December 2007. China Force (Beijing) had occupied the Office for the period from 20 March 2004 to 30 April 2008. An aggregate rental of approximately $5,597,000 (equivalent to RMB5,041,000) for the period from 20 March 2004 to 30 April 2008 has been fully provided in other payables in the consolidated balance sheet as at 31 December 2007.

On 16 July 2008, China Force (Beijing), entered into a termination agreement (the "Termination Agreement") with Baifu, pursuant to which both parties agreed to terminate the Property Transfer Agreement in relation to the transfer of the Office and China Force (Beijing) agreed to pay an amount of $3,553,000 (equivalent to RMB3,200,000) to Baifu for its occupation of the Office for the period from 20 March 2004 to 30 April 2008. The overprovision of rental included in other payable of $2,044,000 has been written back to the consolidated income statement for the year ended 31 December 2008 (note 5).

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

32 Commitments (Continued)

(b) At 31 December 2008, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2008 '000	2007 '000
Within 1 year	**175**	663
After 1 year but within 5 years	**25**	99
After 5 years	**–**	–
	200	762

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 15. 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 five years. None of the leases includes contingent rentals.

33 Litigation

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 $364,000 in respect of the discount on original sales value was included in other payables in the consolidated balance sheet at 31 December 2008.

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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

34 Material related party transactions

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

Name of party	Relationship
江蘇正豐油脂倉儲有限公司 (Jiangsu Zheng Feng Oils and Fats Storage Co., Ltd.)	Mr Lam Cham (note 1) is the legal representative

Notes:

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

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

(a) Amount due to related companies

	2008 **'000**	2007 '000
Jiangsu Zheng Feng Oils and Fats Storage Co., Ltd.	**109**	291

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

(b) Loan from a related company

Upon completion of the Disposal (note 10), an amount of RMB14,917,000 was advanced from Jiangsu Zheng Feng Oils and Fats Storage Co., Ltd. in September 2007. The amount is unsecured and repayable on 31 August 2012.

	2008 **'000**	2007 '000
Jiangsu Zheng Feng Oils and Fats Storage Co., Ltd., at fair value	**7,809**	11,011

The fair value of the loan is based on cash flows discounted at a rate of 8.32%, which is determined by reference to the relevant borrowing rate of the People's Bank of China plus appropriate credit rating.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

34 Material related party transactions (Continued)

(c) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2008 '000	2007 '000
Short-term employee benefits	**3,955**	5,832
Post-employment benefits	**94**	145
Equity compensation benefits	**1,945**	1,392
Termination benefits	**–**	1,334
	5,994	8,703

Total remuneration is included in "staff costs" (see note 6(b)).

35 Immediate and ultimate controlling party

At 31 December 2008, 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 30 which contains information about the assumptions and the risk factors relating to fair value of share options granted, 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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

36 Accounting estimates and judgements (Continued)

(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.

(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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

37 Post balance sheet events

(a) Issue of share

On 18 March 2009, the Company and Aswell Group Limited ("Aswell"), the Company's ultimate controlling party, entered into a subscription agreement, pursuant to which Aswell agreed to subscribe for a total of 42,000,000 new ordinary shares of the Company of $0.125 each at the exercise price of $0.35 each. On 27 March 2009, the Company and Aswell entered into a supplemental agreement pursuant to which both parties agreed to complete the subscription of 30,330,000 new ordinary shares of $0.125 each at the issue price of $0.35 each. The share subscription was completed on 31 March 2009. The net proceeds from the share subscription, after deducting expenses, are approximately $11 million. Further details refer to the Company's announcements dated 18 March 2009 and 27 March 2009 respectively.

(b) Bank loans

In March and April 2009, the Group renewed certain bank loans with its principal bankers with an aggregate amount of $17,036,000 (RMB15,000,000). These loans are secured by certain fixed assets of the Group, bear interest at rates ranging from 6.318% to 6.903% per annum and will be repayable from December 2009 to April 2010.

(c) On 13 January 2009, a PRC independent third party filed a claim in a court in Tianjin, the PRC("天津經濟開發區人民法院") against a PRC subsidiary of the Group, in connection with a claim against the subsidiary for a payable of construction of plant and machinery $517,000 (RMB455,000) plus overdue interest. A provision of $517,000 was included in other payables in the consolidated balance sheet as at 31 December 2008.

Five Years Summary

(Expressed in Hong Kong dollars)

	2004 '000	2005 '000	2006 '000	2007 '000	**2008 '000**
Assets and liabilities					
Total assets	1,635,632	1,746,808	715,823	206,521	**143,012**
Total liabilities	(1,023,178)	(1,487,852)	(773,611)	(141,746)	**(73,357)**
NET ASSETS/(LIABILITIES)	612,454	258,956	(57,788)	64,775	**69,655**
Share capital	100,000	100,000	100,000	100,000	**117,500**
Reserves	512,454	158,956	(157,788)	(35,225)	**(47,845)**
TOTAL EQUITY	612,454	258,956	(57,788)	64,775	**69,655**
Results					
Turnover					
Continuing operations	777,881	412,763	329,320	150,729	**139,541**
Discontinued operations	3,791,141	3,227,000	1,306,332	19,863	**–**
	4,569,022	3,639,763	1,635,652	170,592	**139,541**
Profit/(loss) before taxation					
Continuing operations	24,148	(122,198)	(50,684)	(18,830)	**(52,209)**
Discontinued operations	94,554	(243,558)	(224,454)	154,588	**–**
	118,702	(365,756)	(275,138)	135,758	**(52,209)**
Income tax					
Continuing operations	(4,271)	4,431	(4,375)	–	**–**
Discontinued operations	(13,847)	49,152	(43,871)	–	**–**
	(18,118)	53,583	(48,246)	–	**–**
Profit/(loss) for the year					
Continuing operations	19,877	(117,767)	(55,059)	(18,830)	**(52,209)**
Discontinued operations	80,707	(194,406)	(268,325)	154,588	**–**
	100,584	(312,173)	(323,384)	135,758	**(52,209)**

Five Years Summary

(Expressed in Hong Kong dollars)

Notes:

(1) The Company was incorporated in the Cayman Islands on 14 January 2004 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company became the holding company of the Group on 19 June 2004 through the Reorganisation.

The Group resulting from the Reorganisation is regarded as a continuing group. Accordingly, the consolidated financial statements have been prepared on the basis that the Company has been treated as the holding company of the Group since 1 January 2001, rather than from 19 June 2004. Accordingly, the consolidated results of the Group for the five years ended 31 December 2008 have been prepared as if the Group structure immediately after the Reorganisation had been in existence since 1 January 2001. This financial summary includes the consolidated results of the Company and its subsidiaries with effect from 1 January 2001 or since their respective dates of incorporation, which ever is a shorter period. The consolidated balance sheets at 31 December 2004, 2005, 2006, 2007 and 2008 are the combination of the balance sheets of the Company and its subsidiaries at 31 December 2004, 2005, 2006, 2007 and 2008. In the opinion of the directors, the resulting consolidated financial statements give a more meaningful view of the results and state of affairs of the Group as a whole.

(2) In order to comply with the amendments to HKAS 39, Financial instruments: Recognition and measurement: Financial guarantee contracts, in 2006 the Group has changed its accounting policy for financial guarantees issued. The new accounting policy has been applied retrospectively. It is not practicable to estimate the fair values and consequential effect on reported net assets of the change in accounting policies in respect of any other guarantees issued prior to that date.

(3) In order to comply with HKFRS 2, Share-based payment, the Group adopted a new accounting policy for employee share options with effect from 1 January 2005.

(4) In order to comply with HKAS 39, Financial instruments: Recognition and measurement, the Group changed its accounting policies relating to derivative financial instruments with effect from 1 January 2005. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted by way of opening adjustments to retained profits as at 1 January 2005. Figures in years earlier than 2005 are stated in accordance with the policies before the change on a consistent basis.

Corporate Information

Board of Directors

Executive Directors

LIM Wa *(Chairman and Chief Executive Officer)*
LAM Cham *(Deputy Chief Executive Officer)*
CHANG Ying Yang (Appointed on 19 June 2008)

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, MPA)

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

Cricket Square
Hutchins Drive,
P. O. Box 2681,
Grand Cayman KYI-1111,
Cayman Islands

Principal Place of Business in Hong Kong

Room 2909,
Shun Tak Centre West Tower
200 Connaught Road
Central
Hong Kong

Auditors

CCIF CPA Limited
Certified Public Accountants
20th Floor, Sunning Plaza
10 Hysan Avenue
Causeway Bay
Hong Kong

Legal Advisers

As to Hong Kong law:
Angela Ho & Associates

As to PRC law:
Bastion Law Firm

Principal Bankers

In Hong Kong:
Standard Chartered Bank
Bank of China (Hong Kong) Limited

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

Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Room 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

Corporate Information

Website of the Company

http://cpm.etnet.com.hk

Share Information

Place of listing	:	Main board of The Stock Exchange of Hong Kong Limited
Listing date	:	12 October 2004
Stock code	:	1194
Board lot	:	2,000 Shares
Financial year end	:	31 December
Share price as at 31 December 2008	:	HK$0.26
Market capitalization as at 31 December 2008	:	HK$244,400,000

Shareholders' Reference

Financial Calendar

Latest time for lodging transfer of Shares for entitlement of final dividend	4:30 P.M. on 27 May 2009
Closure of share registrar	29 May 2009 to 1 June 2009
Annual general meeting	1 June 2009

Shareholders' Enquiry

For any matters as to shareholdings (such as transfer of Shares, changes of address and loss of share certificates), you should contact the Hong Kong branch share registrar and transfer office, details of which are as follows:—

Computershare Hong Kong Investor Services Limited
Room 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong
Tel: (852) 2862 8628
Fax: (852) 2865 0990