NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 STATUS OF THE COMPANY

(a) The Company

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.

(b) Reorganisation

Pursuant to the Reorganisation of the Group completed on 19 June 2004 to rationalise the Group's structure in preparation for the public listing of the Company's shares on the Main Board of the Stock Exchange, the Company became the holding company of the subsidiaries, details of which are set out in note 18 on the financial statements. The shares of the Company were listed on the Stock Exchange on 12 October 2004.

Details of the Reorganisation are set out in the Prospectus of the Company.

(c) Basis of presentation

The Group is regarded as a continuing entity resulting from the Reorganisation since all of the entities which took part in the Reorganisation were owned by the same group of ultimate shareholders before and immediately after the Reorganisation and, consequently, there was a continuation of the risks and benefits to the ultimate shareholders that existed prior to the Reorganisation. Accordingly, the consolidated results have been prepared on the basis of merger accounting, under which the Company was the holding company of the Group for both years presented, rather than from 19 June 2004. Furthermore, the results of the Group for the years ended 31 December 2003 and 2004 include the results of the Company and its subsidiaries with effect from or since their respective dates of incorporation, whichever is a shorter period as if the current group structure had been in existence throughout the two years presented. The consolidated balance sheet at 31 December 2003 is a combination of the balance sheets of the Company and its subsidiaries at 31 December 2003. All material intra-group transactions and balances have been eliminated on consolidation. In the opinion of the directors, the consolidated financial statements prepared on this basis present fairly the results of operations and the state of affairs of the Group as a whole.

1 STATUS OF THE COMPANY (CONTINUED)

(c) Basis of presentation (continued)

The Company was incorporated on 14 January 2004. During the year ended 31 December 2003, the Company had not yet set up and accordingly, no comparative figures are presented in respect of the Company's balance sheet at 31 December 2003.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which include all applicable Statements of Standard Accounting Practice ("SSAP") 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 Listing Rules. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Recently issued accounting standards

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

(c) Basis of preparation of the financial information

The measurement basis used in the preparation of the financial information is historical cost.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and controlled enterprises

A subsidiary is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half the voting power, or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a controlled subsidiary is consolidated into the consolidated financial statements, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is stated in the consolidated balance sheet at fair value with changes in fair value recognised in the consolidated income statement as they arise.

All material intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 2(g)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is stated at fair value with changes in fair value recognised in the income statement as they arise.

(e) Fixed assets and depreciation

(i) Valuation

Fixed assets are stated in the balance sheet at cost less accumulated depreciation (see note 2(e)(iii)) and impairment losses (see note 2(g)). Cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition and location for its intended use.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Fixed assets and depreciation (continued)

(ii) Subsequent expenditure

Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iii) Depreciation

Depreciation is calculated to write off the cost of fixed assets on a straight-line basis over their estimated useful lives as follows:

Land use rights	Over the shorter of the estimated useful lives and the unexpired term of the land use rights
Buildings	5 – 20 years
Machinery and equipment	5 – 10 years
Motor vehicles	5 years
Office equipment, furniture and fixtures	5 years

(iv) Disposals

Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Construction in progress

Construction in progress represents fixed assets under construction and equipment pending installation, and is stated at cost less impairment losses (see note 2(g)). 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 fixed assets 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 People's Republic of China (the "PRC").

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

(g) Impairment of 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:

– fixed assets and construction in progress; and

– investments in subsidiaries (except for those accounted for at fair value under note 2(d)).

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the income statement whenever the carrying amount of such an asset exceeds its recoverable amount.

(i) 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).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of assets (continued)

(ii) 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 losses 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 the income statement in the year in which the reversals are recognised.

(h) Leased assets

Leases of assets under which the lessee assumes substantially all the risks and benefits of ownership are classified as finance leases. Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

(i) Assets held for use in operating leases

Where the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 2(e)(iii). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(g). Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 2(n).

(ii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease terms. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Inventories

Inventories are stated 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, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(j) 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.

(k) Employee benefits

(i) Salaries, wages, annual bonuses and staff welfare are accrued in the year in which the associated services are rendered by employee of the Group.

(ii) Contributions to appropriate local retirement schemes pursuant to the relevant labour rules and regulations in the place of operations are recognised as an expense in the income statement as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Income tax

(i) 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.

(ii) 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.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Income tax (continued)

(iii) (continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, negative goodwill treated as deferred income, 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Income tax (continued)

(iv) Current tax balances and deferred tax balances, the movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, 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 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.

(m) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the 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) Subsidy income

Subsidy income is recognised upon the granting of subsidy by the relevant authorities.

(iv) Interest income

Interest income from bank deposits is accrued on a time-apportioned basis by reference to the principal outstanding and the rate applicable.

(v) Rental income from operating leases

Rental income receivable under operating leases is recognised in the income statement in equal instalments over the accounting periods covered by the lease term.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) 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.

(p) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the income statement.

The results of enterprises outside Hong Kong are translated into Hong Kong dollars at the average exchange rates for the year; balance sheet items are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

(q) Repairs and maintenance expenses

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

(r) Commodity derivatives

Commodity derivative contracts are entered into to protect the Group from the impact of price fluctuations in oil commodities. Where a non-speculative commodity derivative contract is used as a hedge of a net oil commodity position, the gain or loss upon the realisation of the contract is dealt with in the income statement as part of the cost of direct materials. No gain or loss is recognised in relation to a non-speculative commodity derivative contract which is used to match the Group's firm commitment until the transaction occurs.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Borrowing costs

Borrowing costs are expensed in the 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 expenditures for the asset are 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.

(t) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(u) 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 environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Group's turnover and operating profit are almost entirely derived from the fractionation, refining and distribution of edible oils in the PRC. Accordingly, no analysis by geographical and business segments has been presented.

3 TURNOVER

The Group is principally engaged in the fractionation, refining, sale and trading of edible oil products in the PRC.

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

Turnover recognised during the year may be analysed as follows:

	2004 **'000**	2003 '000
Sales of		
– Refined soyabean oil	**2,358,205**	1,341,087
– Crude soyabean oil	**525,742**	865,700
– Palm oil	**1,519,000**	981,573
– Sunflower seed oil	**34,566**	–
– Other edible oils and related products	**90,794**	79,101
Logistics and storage charges	**29,782**	32,528
Processing charges of edible oil products	**10,933**	8,870
	4,569,022	3,308,859

4 COST OF SALES

	2004 **'000**	2003 '000
Direct materials	**4,250,634**	3,091,605
Direct labour	**1,216**	515
Depreciation	**12,189**	6,329
Other manufacturing expenses	**51,365**	28,211
	4,315,404	3,126,660

5 OTHER REVENUE

	2004 '000	2003 '000
Interest income	**1,526**	707
Rental income	**191**	610
Subsidy income	**1,846**	–
Insurance compensation	**1,826**	722
Sundry income	**462**	1,586
	5,851	3,625

Sundry income mainly includes surcharges received from suppliers in respect of late shipment and quality claims.

6 OTHER NET LOSS

	2004 '000	2003 '000
Exchange gain/(loss)	**50**	(98)
(Loss)/gain on disposal of fixed assets	**(431)**	3
Miscellaneous net income	**227**	52
	(154)	(43)

7 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at after charging/(crediting):

	2004	2003
	'000	'000
(a) Finance costs:		
Interest expense on bank advances wholly repayable within five years	**36,095**	21,881
Discounting charges	**823**	274
	36,918	22,155
(b) Staff costs:		
Salaries, wages and bonuses	**19,516**	10,244
Staff welfare	**2,542**	2,432
Contributions to retirement benefit schemes	**958**	304
	23,016	12,980
Average number of employees during the year	**580**	316
(c) Other items:		
Realised (gain)/loss on forward and future commodity contracts	**(52,653)**	8,437
Depreciation	**23,486**	15,064
Auditors' remuneration	**1,880**	72
Operating lease charges: property rentals	**4,829**	1,598

8 TAXATION

(a) Taxation in the consolidated income statement represents:

	2004 '000	2003 '000
Current tax – Provision for Hong Kong Profits Tax		
Tax for the year	**7,601**	75
Current tax – PRC		
Tax for the year	**11,186**	10,733
Deferred tax		
Origination and reversal of temporary differences	**(669)**	839
Total income tax expense	**18,118**	11,647

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

	2004 '000	2003 '000
Profit before tax	**121,430**	115,363
Notional tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdiction concerned	**27,160**	22,031
Non-deductible expenses	**1,484**	809
Tax concessions obtained	**(10,481)**	(11,193)
Unused tax losses not recognised	**(45)**	–
Actual tax expense	**18,118**	11,647

The provision for Hong Kong Profits Tax for 2004 is calculated at 17.5% (2003: 17.5%).

(Expressed in Hong Kong dollars)

8 TAXATION (CONTINUED)

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

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

	Note	2004	2003
Beijing China Force Huarui Management Consultant Co., Ltd. ("China Force (Beijing)")		**33%**	–
China Force Oils & Grains Industrial (Dongguan) Co., Ltd. ("China Force (Dongguan)")	i	**27%**	–
China Force Oils & Grains (Tianjin) Industry Co., Ltd. ("China Force (Tianjin)")	ii	**7.5%**	7.5%
China Force Oils & Grains Industrial (Zhenjiang) Co., Ltd. ("China Force (Zhenjiang)")	ii	**12%**	12%

(i) As China Force (Dongguan) operated less than six months during the year, the management did not apply for tax holiday.

(ii) These subsidiaries are eligible for a 100% relief from PRC income tax for two years from their first profit-making year of operations and thereafter, they are subject to PRC income tax at 50% of the standard income tax rate for the following three years. Both of them are in the fourth year following the first profit-making year.

China Force High-Tech Chemical Industrial (Zhenjiang) Co., Ltd., China Force Oils & Grains Industrial (Xiamen) Ltd., China Force Protein Biotechnology (Zhenjiang) Co., Ltd., and China Force Modern Storage & Transportation (Zhenjiang) Co., Ltd. are not subject to PRC income tax during the year as they have not commenced business as at 31 December 2004.

8 TAXATION (CONTINUED)

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

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.

(c) Taxation in the consolidated balance sheet represents:

	2004 '000	2003 '000
Provision for Hong Kong Profits Tax for the year	**7,601**	75
Provisional Profits Tax refunded/(paid)	**39**	(75)
	7,640	–
PRC income tax payable	**3,040**	6,882
Current tax payable	**10,680**	6,882

9 DIRECTORS' REMUNERATION

Details of directors' remuneration are as follows:

2004

	Fees '000	Basic salaries, allowances and other benefits '000	Contributions to retirement benefit schemes '000	Bonus '000	Total '000
Executive directors					
Mr Lim Wa	-	1,200	12	-	1,212
Mr Lam Cham	-	1,200	12	-	1,212
Mr Ding Ming Shan	-	800	7	-	807
Mr Li Xiao Ning	-	351	12	25	388
Independent non-executive directors					
Professor Xiao Zhuo Ji	159	-	-	-	159
Dr Wong Lung Tak, Patrick	106	-	-	-	106
Mr Chan Kin Sang	106	-	-	-	106
Total	371	3,551	43	25	3,990

9 DIRECTORS' REMUNERATION (CONTINUED)

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

2003

	Fees '000	Basic salaries, allowances and other benefits '000	Contributions to retirement benefit schemes '000	Bonus '000	Total '000
Executive directors					
Mr Lim Wa	–	360	12	–	372
Mr Lam Cham	–	360	12	–	372
Mr Ding Ming Shan	–	960	–	–	960
Mr Li Xiao Ning	–	151	6	–	157
Independent non-executive directors					
Professor Xiao Zhuo Ji	–	–	–	–	–
Dr Wong Lung Tak, Patrick	–	–	–	–	–
Mr Chan Kin Sang	–	–	–	–	–
Total	–	1,831	30	–	1,861

An analysis of directors' remuneration by the number of directors and remuneration range is as follows:

	2004 Number of directors	2003 Number of directors
$Nil to $1,000,000	**5**	4
$1,000,000 to $1,500,000	**2**	–

9 DIRECTORS' REMUNERATION (CONTINUED)

There were no amounts paid during the year to the directors in connection with their retirement from employment with the Group, or inducement to join. There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

10 SENIOR MANAGEMENT REMUNERATION

The five highest paid individuals of the Group include three (2003: three) directors of the Company during the year ended 31 December 2004 whose remuneration are reflected in the analysis presented above. Details of remuneration paid to the remaining highest paid individuals of the Group are as follows:

	2004	2003
	'000	'000
Basic salaries, allowances and other benefits	**1,267**	1,482
Retirement benefit scheme contributions	**21**	13
Bonuses	**170**	70
	1,458	1,565
Number of senior management	**2**	2

The above individuals' emoluments are within the band of $Nil to $1,000,000.

There were no amounts paid during 2004 (2003: $Nil) to the five highest paid employees in connection with their retirement from employment with the Group, or inducement to join.

11 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders included a loss of $24,000 which has been dealt with in the financial statements of the Company.

12 DIVIDENDS

Dividends attributable to the year

	2004	2003
	'000	'000
Interim dividend declared during the year	**-**	46,960
Final dividend proposed after the balance sheet date of 3 cents per share (2003: Nil cent per share)	**24,000**	–
	24,000	46,960

Pursuant to the resolutions passed at the board of directors' meeting on 6 October 2003, dividends of $46,960,000 were declared by China Force Oils & Grains Industrial Limited ("China Force (BVI)") to its then shareholders.

The interim dividend per share and the number of shares ranking for dividend are not presented above as such information is not meaningful having regard to the consolidated financial statements.

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

13 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of $103,312,000 (2003: $103,716,000) and the weighted average of 612,602,740 ordinary shares (2003: 560,000,000 ordinary shares after adjusting for the capitalisation issue in 2004) in issue during the year.

(b) Diluted earnings per share

There were no dilutive potential ordinary shares in issue during the year ended 31 December 2003 and 2004.

14 FIXED ASSETS

The Group

	Leasehold land and buildings '000	Machinery and equipment '000	Motor vehicles '000	Office equipment, furniture and fixtures '000	Total '000
Cost:					
At 1 January 2004	137,681	125,137	4,261	10,657	277,736
Additions	44,190	7,476	2,878	4,379	58,923
Transfer from construction in progress (note 15)	109,346	73,013	–	1,381	183,740
Disposals	(10,887)	(328)	(255)	(16)	(11,486)
At 31 December 2004	280,330	205,298	6,884	16,401	508,913
Accumulated depreciation:					
At 1 January 2004	9,310	14,186	1,786	2,663	27,945
Charge for the year	6,849	13,846	927	1,864	23,486
Written back on disposal	(1,099)	(27)	(157)	(14)	(1,297)
At 31 December 2004	15,060	28,005	2,556	4,513	50,134
Net book value:					
At 31 December 2004	265,270	177,293	4,328	11,888	458,779
At 31 December 2003	128,371	110,951	2,475	7,994	249,791

14 FIXED ASSETS (CONTINUED)

The Group (continued)

An analysis of net book value of leasehold land and buildings is as follows:

	2004 '000	2003 '000
Hong Kong		
– Long lease	**857**	875
Outside Hong Kong		
– Medium-term leases	**264,413**	127,496
	265,270	128,371

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

Certain leasehold land and buildings, and machinery and equipment are pledged to banks for certain banking facilities granted to the Group as disclosed in note 23.

The Group leases out part of the land and buildings under operating leases. The leases typically run for an initial period less than one year, with an option to renew the lease after that date at which all terms are negotiated. The leases include contingent rentals of $191,000 (2003: $610,000).

The leasehold land and buildings of the Group situated in the PRC represent land use rights together with the buildings thereon situated in Tianjin, Zhenjiang and Dongguan, the PRC. The applications for the land use rights certificates and property ownership certificates of certain of these leasehold land and buildings with net book value totalling $51,250,000 are still in progress and these land use rights certificates and property ownership certificates have not yet been issued to the Group by the relevant offices of the State-owned Land Bureau in the PRC as at the balance sheet date. Notwithstanding this, the directors are of the opinion that the Group has acquired beneficial title to these leasehold land and buildings as at 31 December 2004 and, the land use rights certificates and property ownership certificates can be obtained.

14 FIXED ASSETS (CONTINUED)

The Group (continued)

A surplus of approximately $11,900,000 arising as a result of an independent valuation of the Group's property as at 31 July 2004 carried out by Vigers Appraisal & Consulting Limited have not been incorporated in the Group's consolidated financial statements for the year ended 31 December 2004. It is the Group's policy to state its fixed assets at cost less accumulated depreciation and impairment loss in accordance with Hong Kong Accounting Standard 16 "Property, plant and equipment" issued by the HKICPA. If such revaluation surplus was included in the Group's consolidated financial statements, additional annual depreciation charges of approximately $603,000 would be incurred.

15 CONSTRUCTION IN PROGRESS

	The Group	
	2004	2003
	'000	'000
Cost:		
At 1 January	**27,720**	25,508
Additions	**207,254**	84,570
Transfer to fixed assets (note 14)	**(183,740)**	(82,358)
At 31 December	**51,234**	27,720

16 DEFERRED TAXATION

(i) Deferred tax assets and liabilities recognised

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

	Depreciation allowances in excess of related depreciation '000	**Deductible temporary differences** '000	**Total** '000
At 1 January 2003	–	874	874
Charged to consolidated income statement	(13)	(826)	(839)
At 31 December 2003	(13)	48	35
At 1 January 2004	(13)	48	35
(Charged)/credited to consolidated income statement	(245)	914	669
At 31 December 2004	(258)	962	704

	2004 **'000**	2003 '000
Net deferred tax asset recognised on the consolidated balance sheet	**704**	670
Net deferred tax liability recognised on the consolidated balance sheet	**–**	(635)
	704	35

(ii) There were no significant unrecognised deferred tax assets and liabilities at 31 December 2003 and 2004.

17 INVENTORIES

	The Group	
	2004	2003
	'000	'000
Refined soyabean oil	**17,369**	54,553
Crude soyabean oil	**5,368**	44,061
Palm oil	**97,457**	113,994
Sunflower seed oil	**8,386**	42,135
Others	**2,565**	361
	131,145	255,104

None of the inventories at 31 December 2003 and 2004 was stated at net realisable value.

18 INVESTMENTS IN SUBSIDIARIES

	The Company
	2004
	'000
Unlisted shares, at cost	**279,498**

Details of the subsidiaries at 31 December 2004 are as follows:

Name of company	Place of incorporation/ operations	Percentage of equity attributable to the Company Direct	Indirect	Issued and fully paid-up/ registered capital	Principal activities
		%	%	'000	
China Force Oils & Grains Industrial Limited	British Virgin Islands/ Hong Kong	100	–	US$12,000	Investment holding
China Force Oils & Grains Industrial (Hong Kong) Co., Ltd.	Hong Kong	–	100	$1,000	Trading of edible oils

18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation/ operations	Percentage of equity attributable to the Company Direct	Indirect	Issued and fully paid-up/ registered capital	Principal activities
		%	%	'000	
China Force Oils & Grains (Tianjin) Industry Co., Ltd.	The PRC	–	100	US$10,000	Production and sale of edible oils and related services
China Force Oils & Grains Industrial (Zhenjiang) Co., Ltd.	The PRC	–	100	US$9,537	Production and sale of edible oils and related services
China Force High-Tech Chemical Industrial (Zhenjiang) Co., Ltd.	The PRC	–	100	US$4,000	Production and sale of oil and fatty acids and related products
China Force Oils & Grains Industrial (Dongguan) Co., Ltd.	The PRC	–	100	US$13,760	Production and sale of edible oils and related services
China Force Oils & Grains Industrial (Xiamen) Ltd.	The PRC	–	100	US$3,500	Production and sale of edible oils and related services
Able Rich Investments Holdings Limited	British Virgin Islands/ Hong Kong	–	100	US$50	Investment holding

18 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation/ operations	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Issued and fully paid-up/ registered capital	Principal activities
		%	%	'000	
Super Unit Investments Holdings Limited	British Virgin Islands/ Hong Kong	–	100	US$50	Investment holding
China Force Protein Biotechnology (Zhenjiang) Co., Ltd.	The PRC	–	100	US$6,800	Production and sale of protein related products
China Force Modern Storage & Transportation (Zhenjiang) Co., Ltd.	The PRC	–	100	US$7,500	Logistics services
Beijing China Force Huarui Management Consultant Co., Ltd.	The PRC	–	100	US$2,000	Management and consultation services
Acosta Limited	British Virgin Islands/ Hong Kong	–	100	US$50	Investment holding
Rise Gain International Limited	British Virgin Islands/ Hong Kong	–	100	US$50	Investment holding

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

19 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Trade and other receivables, deposits and prepayments comprise:

	The Group		The Company
	2004	2003	**2004**
	'000	'000	**'000**
Trade receivables	**104,775**	142,887	**–**
Bills receivable	**5,971**	10,302	**–**
Amounts due from subsidiaries	**–**	–	**236,083**
Prepayments for purchases of raw materials	**258,957**	114,603	**–**
Deposits and other receivables	**76,012**	45,144	**3,492**
	445,715	312,936	**239,575**

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

Included in trade receivables are aggregate amounts due from related companies of $Nil at 31 December 2004 (2003: $27,789,000).

Included in deposits and other receivables is an amount paid to a related company for acquisition of an office unit of $2,126,000 at 31 December 2004 (2003: $Nil).

An ageing analysis of trade receivables (net of provision for bad and doubtful debts) is as follows:

	The Group	
	2004	2003
	'000	'000
Within 3 months	**95,062**	142,887
Over 3 months but less than 6 months	**4,925**	–
Over 6 months but less than 1 year	**4,788**	–
	104,775	142,887

Customers are required to settle the billing on presentation. Occasionally, credit terms up to one month from the date of billing may be granted to customers, depending on the credit worthiness of individual customers.

20 CASH AND CASH EQUIVALENTS

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

	The Group		The Company
	2004	2003	**2004**
	'000	'000	**'000**
Cash at bank	**434,916**	207,875	**34,157**
Cash in hand	**1,773**	684	**–**
	436,689	208,559	**34,157**

	The Group		The Company
	2004	2003	**2004**
	'000	'000	**'000**
Cash and cash equivalents denominated in:			
– RMB	**228,260**	162,359	**–**
– US$	**108,189**	40,044	**16**
– HK$	**100,240**	6,156	**34,141**
	436,689	208,559	**34,157**

RMB is not a freely convertible currency in the PRC and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

21 OTHER DEPOSITS

The Group has placed deposits of $68,308,000 (2003: $Nil) with independent futures trading agents for futures trading entered into in the normal course of business primarily to protect the Group from the impact of price fluctuations in oil commodities.

22 TRADE AND OTHER PAYABLES

Trade and other payables comprise:

	The Group		The Company
	2004	2003	**2004**
	'000	'000	**'000**
Trade payables	**195,981**	206,347	**–**
Bills payable	**65,094**	14,311	**–**
Accrued charges and other payables	**79,047**	62,042	**133**
Receipts in advance	**17,165**	14,150	**–**
	357,287	296,850	**133**

Included in trade payables are aggregate amounts due to related companies of $Nil (2003: $112,045,000).

Bills payable at 31 December 2004 were secured by pledged bank deposits of $22,198,000 (2003: $5,237,000).

An ageing analysis of trade payables is as follows:

	2004	2003
	'000	'000
Due within 3 months	**195,981**	205,427
Due after 3 months but within 6 months	**–**	920
	195,981	206,347

23 BANK LOANS

The bank loans are repayable as follows:

	The Group	
	2004	2003
	'000	'000
Within 1 year or on demand	**597,459**	545,392
After 1 year but within 2 years	**56,604**	–
	654,063	545,392
Representing:		
Secured bank loans	**412,637**	403,882
Unsecured bank loans	**241,426**	141,510
	654,063	545,392

(i) Certain bank loans of approximately $133,303,000 as at 31 December 2004 (2003: $105,660,000) were secured by pledges over the Group's leasehold land and buildings, machinery and equipment with an aggregate carrying value of approximately $181,981,000 as at 31 December 2004 (2003: $160,313,000).

(ii) Certain bank loans of approximately $46,315,000 as at 31 December 2004 (2003: $50,239,000) were secured by pledged bank deposits of $20,860,000 (2003: $20,728,000).

(iii) Certain bank loans of approximately $233,019,000 as at 31 December 2004 (2003: $200,000,000) were secured by inventories held by the Group.

(iv) Certain bank loans of outstanding balances totalling approximately $Nil as at 31 December 2004 (2003: $47,983,000) were secured by certain properties and guarantees provided by related parties.

The above security and guarantees provided by related parties were released during the year ended 31 December 2004.

24 RETIREMENT BENEFITS

Pursuant to the relevant labour rules and regulations in the PRC, the Group participate in defined contribution retirement benefit schemes (the "Schemes") organised by the relevant local government authorities in Tianjin, Zhenjiang, Dongguan and Beijing 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 maintains a mandatory provident fund (the "MPF Scheme") for all qualifying employees in Hong Kong. The Group's and employee's contributions to the MPF Scheme are based on 5% of the relevant income of the relevant employee (up to a cap of monthly relevant income of $20,000) and in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations.

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

25 EQUITY COMPENSATION BENEFITS

The Company has two share option schemes which were adopted on 18 September 2004 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options to subscribe for shares of the Company to a maximum of 80,000,000 shares. The share option schemes shall be valid and effective for a period of 10 years ending on 17 September 2014 after which no further options will be granted. The exercise price of options will be at least the highest of:

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

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

(iii) the nominal value of the share.

(Expressed in Hong Kong dollars)

25 EQUITY COMPENSATION BENEFITS (CONTINUED)

(a) Movements in share options

	2004 Number	2003 Number
At 1 January	**–**	–
Issued	**64,000,000**	–
Exercised	**–**	–
At 31 December	**64,000,000**	–
Options vested at 31 December	**–**	–

(b) Terms of unexpired and unexercised share options at balance sheet date

Date granted	**Market price at the date of grant**	**Exercise period**	**Exercise price**	**2004 Number**	2003 Number
18 September 2004	$0.50	12 October 2005 to 11 October 2010	$1.23	**64,000,000**	–

The options vest after 12 to 60 months from 12 October 2004 and are then exercisable no later than 6 years from 12 October 2004.

(c) Details of share options granted during the year

Exercise period	**Exercise price**	**2004 Number**	2003 Number
12 October 2005 to 11 October 2010	$1.23	**64,000,000**	–

The consideration paid by each individual for the options granted was $1.

26 SHARE CAPITAL

	Note	2004 Number of shares	2004 Amount '000	2003 Number of shares	2003 Amount '000
Authorised:					
Ordinary share of US$0.1 each		**-**	**-**	120,000,000	93,600
Ordinary share of $0.125 each	(b), (d)	**3,200,000,000**	**400,000**	–	–
		3,200,000,000	**400,000**	120,000,000	93,600
Issued:					
At 1 January	(a)	**120,000,000**	**93,600**	120,000,000	93,600
Capital elimination on consolidation	(c)	**(120,000,000)**	**(93,600)**	–	–
Issuance of new shares	(c)	**700,000,000**	**70,000**	–	–
Share consolidation	(d)	**(700,000,000)**	**(70,000)**	–	–
Issuance of new shares	(d)	**560,000,000**	**70,000**	–	–
Shares issued under the placing and public offering	(e)	**240,000,000**	**30,000**	–	–
		800,000,000	**100,000**	120,000,000	93,600

Notes:

(a) Share capital in the consolidated balance sheet as at 1 January and 31 December 2003 represents the authorised and issued share capital of China Force (BVI) comprising 120,000,000 shares of US$0.1 each.

(b) The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 14 January 2004 with an authorised share capital of $380,000 divided into 3,800,000 shares of $0.1 each of which one subscriber share was then allotted and issued to Codan Trust Company (Cayman) Limited for cash at par on 27 January 2004, and was transferred to Mr Lam Cham on the same date.

Pursuant to a written resolution of the sole shareholder of the Company passed on 19 June 2004, the authorised share capital of the Company was increased from $380,000 to $400,000,000, by the creation of an additional 3,996,200,000 ordinary shares.

26 SHARE CAPITAL (CONTINUED)

Notes: (continued)

(c) Pursuant to the written resolutions of the sole shareholder of the Company passed on 19 June 2004, as part of the Reorganisation and as consideration for the acquisition of the entire share capital of China Force (BVI), the Company allotted and issued, credited as fully paid, a total of 700,000,000 shares of $0.1 each as to 630,000,000 shares to Aswell Group Limited ("Aswell Group"), as to 69,999,999 shares to Best Key Investments Limited ("Best Key") and as to one share to Best Key for one share purchased by Best Key from Mr Lam Cham.

(d) Pursuant to written resolutions of the shareholders of the Company passed on 18 September 2004, every five shares of the Company of $0.1 each were consolidated into four shares of the Company of $0.125 each. Following such share consolidation, the Company had an authorised share capital of $400,000,000 divided into 3,200,000,000 shares of $0.125 each and an issued share capital of $70,000,000 divided into 560,000,000 shares of $0.125 each, of which 504,000,000 shares are held by Aswell Group and 56,000,000 shares are held by Best Key.

(e) On 12 October 2004, an aggregate of 240,000,000 shares of $0.125 each were issued and offered for subscription at a price of $1.23 per share upon the listing of the Company's shares on the Main Board of the Stock Exchange. The Group raised approximately $273,623,000 (including interest income) net of related expenses from the share offer.

27 RESERVES

The Group

	Note	Share premium '000	Statutory reserves '000	Retained profits '000	Total '000
At 1 January 2003		–	682	84,481	85,163
Profit for the year		–	–	103,716	103,716
Appropriations to statutory reserves		–	10,540	(10,540)	–
Dividends declared during the year	12	–	–	(46,960)	(46,960)
At 31 December 2003		–	11,222	130,697	141,919
At 1 January 2004		–	11,222	130,697	141,919
Issuance of new shares	26(c)	23,600	–	–	23,600
Profit for the year		–	–	103,312	103,312
Appropriations to statutory reserves		–	10,994	(10,994)	–
Issuance of new shares for placing and public offering	26(e)	265,200	–	–	265,200
Share issuing costs		(21,577)	–	–	(21,577)
At 31 December 2004		267,223	22,216	223,015	512,454

27 RESERVES (CONTINUED)

The Company

	Note	Share premium '000	Contributed surplus '000	Accumulated loss '000	Total '000
At 1 January 2004		–	–	–	–
Arising on Reorganisation	(i)	–	185,898	–	185,898
Issuance of new shares	26(c)	23,600	–	–	23,600
Loss for the year		–	–	(24)	(24)
Issuance of new shares for placing and public offering	26(e)	265,200	–	–	265,200
Share issuing costs		(21,577)	–	–	(21,577)
At 31 December 2004		267,223	185,898	(24)	453,097

(i) Contributed surplus

Pursuant to the Reorganisation, 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) 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.

27 RESERVES (CONTINUED)

The Company (continued)

(iii) 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 non-distributable other than on liquidation. The transfer to this fund must be made before distribution of a dividend to shareholders.

28 COMMITMENTS

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

	2004	2003
	'000	'000
Contracted for	**59,076**	28,936

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

	2004	2003
	'000	'000
Within 1 year	**5,808**	2,191
After 1 year but within 5 years	**12,721**	5,651
After 5 years	**16,447**	10,372
	34,976	18,214

(iii) At 31 December 2004, the Company had commitments to contribute capital of $139,035,000 (2003: $165,400,000) (equivalent to US$17,825,000 (2003: US$21,200,000)) for setting up four (2003: four) wholly owned subsidiaries in the PRC.

(iv) Forward and future contracts are 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 2004, the Group had commitments in respect of purchases of raw materials totalling $1,069,384,000 (2003: $773,309,000). The notional amounts of the Group's forward and future commodity contracts were as follows:

	2004	2003
	'000	'000
Forward commodity contracts	**7,118**	–
Future commodity contracts	**1,011,070**	–
	1,018,188	–

The unrealised loss on the Group's forward and future commodity contracts remeasured at fair value as at 31 December 2004 was $33,168,000 (2003: $Nil).

29 CONTINGENT LIABILITIES

(i) The Group had contingent liabilities as follows:

	2004	2003
	'000	'000
Bills discounted with banks	**192,118**	77,418

(ii) The Company has given guarantees to banks to secure facilities of $471,900,000 (2003: $Nil) granted to subsidiaries, of which $239,002,000 (2003: $Nil) was utilised at 31 December 2004.

30 RELATED PARTY TRANSACTIONS

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

Name of party	**Relationship**
Aswell Group Limited	Shareholder of the Company
Best Key Investments Limited	Shareholder of the Company
China Force Holding (Hong Kong) Co., Ltd.	Effectively owned by Mr Lim Wa (note 1) and Mr Lam Cham (note 2)
China Force Investment (Hong Kong) Co., Ltd.	Effectively owned by Mr Lim Wa (note 1) and Mr Lam Cham (note 2)
China Force International Trading (Hong Kong) Co., Ltd.	Effectively owned by Mr Lim Wa (note 1) and Mr Lam Cham (note 2)
Fu Mei Xiang Investment Limited	Owned by Mr Lam Cham (note 2) and his elder brother
中盛國際貿易(上海)有限公司 (China Force International Trading (Shanghai) Co., Ltd.)	Wholly owned by China Force International Trading (Hong Kong) Co., Ltd.
上海崇盛貿易有限公司 (Shanghai Chong Sheng Trading Co., Ltd.)	51% owned by Mr Ma Jian Qiang (note 3) and 49% owned by Ms Shi Jue (note 4)
上海蘇盛貿易有限公司 (Shanghai Su Sheng Trading Co., Ltd.)	52% owned by 上海崇盛貿易有限公司 (Shanghai Chong Sheng Trading Co., Ltd.)
天津港保税區中盛糧油國際貿易有限公司 (Tianjin Port Free Trade Zone China Force Oils & Grains International Trading Co., Ltd.)	60% owned by Mr Zhang Baoyu (note 5) and 40% owned by Ms Shi Jue (note 4)

30 RELATED PARTY TRANSACTIONS (CONTINUED)

Name of party	**Relationship**
甘肅中盛植物油配送有限公司 (Gansu China Force Vegetable Oil Delivery Co., Ltd.)	Wholly owned by China Force International Trading (Hong Kong) Co., Ltd.
北京中盛百富投資有限公司 (Beijing China Force Baifu Investment Co., Ltd.)	70% owned by Ms Lim Yu (note 6)
中盛糧油配送寶鷄公司 (China Force Oils & Grains Baoji Delivery Company)	Wholly owned by 天津港保税區中盛糧油國際貿易有限公司 (Tianjin Port Free Trade Zone China Force Oils & Grains International Trading Co., Ltd.)
江蘇正豐油脂倉儲有限公司 (Jiangsu Zheng Feng Oils and Fats Storage Co., Ltd.)	Effectively owned by Mr Lim Wa (note 1) and Mr Lam Cham (note 2)
北京萬德聯貿易有限公司 (Beijing Wan De Lian Trading Co., Ltd.)	80% owned by Ms Lim Yu (note 6)

Notes:

(1) Mr Lim Wa is the chairman, chief executive officer and an executive director of the Company.

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

(3) Mr Ma Jian Qiang is a director of China Force (Zhenjiang) and China Force High-Tech Chemical Industrial (Zhenjiang) Co., Ltd.

(4) Ms Shi Jue is a former director of China Force (Tianjin), who ceased such directorship in June 2002.

(5) Mr Zhang Baoyu is a director of China Force (Tianjin).

(6) Ms Lim Yu is the elder sister of Mr Lim Wa.

30 RELATED PARTY TRANSACTIONS (CONTINUED)

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

(a) Recurring

	2004 **'000**	2003 '000
Storage usage fees paid to:		
江蘇正豐油脂倉儲有限公司 (Jiangsu Zheng Feng Oils and Fats Storage Co., Ltd.)	**2,698**	460

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

(b) Non-recurring

	2004 **'000**	2003 '000
Sales of goods to (note 1):		
天津港保稅區中盛糧油國際貿易有限公司 (Tianjin Port Free Trade Zone China Force Oils & Grains International Trading Co., Ltd.)	**-**	74,348
上海崇盛貿易有限公司 (Shanghai Chong Sheng Trading Co., Ltd.)	**29,251**	85,682
上海蘇盛貿易有限公司 (Shanghai Su Sheng Trading Co., Ltd.)	**-**	36,589
北京萬德聯貿易有限公司 (Beijing Wan De Lian Trading Co., Ltd.)	**-**	44,881
Logistics and storage charges received from (note 2):		
天津港保稅區中盛糧油國際貿易有限公司 (Tianjin Port Free Trade Zone China Force Oils & Grains International Trading Co., Ltd.)	**-**	2,465

30 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Non-recurring (continued)

	2004 '000	2003 '000
Purchase of goods from (note 1):		
上海蘇盛貿易有限公司 (Shanghai Su Sheng Trading Co., Ltd.)	**15,363**	95,323
中盛國際貿易（上海）有限公司 (China Force International Trading (Shanghai) Co., Ltd.)	**–**	121,620
甘肅中盛植物油配送有限公司 (Gansu China Force Vegetable Oil Delivery Co., Ltd.)	**–**	30,932
上海崇盛貿易有限公司 (Shanghai Chong Sheng Trading Co., Ltd.)	**121,658**	287,225
北京萬德聯貿易有限公司 (Beijing Wan De Lian Trading Co., Ltd.)	**51,127**	355,984
天津港保税區中盛糧油國際貿易有限公司 (Tianjin Port Free Trade Zone China Force Oils & Grains International Trading Co., Ltd.)	**–**	19,442
Purchase of office equipment from (note 3):		
北京中盛百富投資有限公司 (Beijing China Force Baifu Investment Co., Ltd.)	**429**	–
Purchase of motor vehicles from (note 3):		
北京中盛百富投資有限公司 (Beijing China Force Baifu Investment Co., Ltd.)	**511**	–
Purchase of office premises from (note 4):		
北京中盛百富投資有限公司 (Beijing China Force Baifu Investment Co., Ltd.)	**2,126**	–

30 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Non-recurring (continued)

	2004 '000	2003 '000
Commission paid to (note 5):		
Fu Mei Xiang Investment Limited	-	780
Salaries paid on behalf by (note 6):		
北京中盛百富投資有限公司 (Beijing China Force Baifu Investment Co., Ltd.)	-	1,372

Notes:

The directors of the Company are of the opinion that:

(1) Sales and purchases of goods to/from related parties were conducted on normal commercial terms and in the ordinary course of business;

(2) Storage service rendered to 天津港保税區中盛糧油國際貿易有限公司 (Tianjin Port Free Trade Zone China Force Oils & Grains International Trading Co., Ltd.) was conducted on normal commercial terms and in the ordinary course of business;

(3) Office equipment and motor vehicles were purchased from 北京中盛百富投資有限公司(Beijing China Force Baifu Investment Co., Ltd.) at market price;

(4) Pursuant to a Real Property Transfer Agreement dated 20 March 2004, the Group acquired an office unit from Beijing China Force Baifu Investment Co., Ltd. in consideration of HK$11,378,000 (RMB12,060,000). Such office unit was purchased by Beijing China Force Baifu Investment Co., Ltd. from a property developer (which is an independent third party) for the same consideration by way of instalment payments to such property developer. The remaining balance of HK$9,252,000 (RMB9,807,000) is included as capital commitment of the Group;

(5) Commission was payable at pre-determined amounts in accordance with terms mutually agreed by the directors and Fu Mei Xiang Investment Limited; and

(6) Salaries paid on behalf by 北京中盛百富投資有限公司 (Beijing China Force Baifu Investment Co., Ltd.) were on an actual reimbursement basis.

The directors have confirmed that the above related party transactions discontinued after listing of the Company's shares on the Stock Exchange on 12 October 2004.

30 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Amounts due from related companies

	2004 **'000**	2003 '000
江蘇正豐油脂倉儲有限公司 (Jiangsu Zheng Feng Oils and Fats Storage Co., Ltd.)	**-**	3,947
北京萬德聯貿易有限公司 (Beijing Wan De Lian Trading Co., Ltd.)	**-**	2,160
	-	6,107

Included in the above balances are short-term advances made by the Group to companies controlled by directors of the Company for operating purposes, the maximum balances of which during the year are as follows:

	2004 **'000**	2003 '000
江蘇正豐油脂倉儲有限公司 (Jiangsu Zheng Feng Oils and Fats Storage Co., Ltd.)	**3,947**	4,456
China Force Holding (Hong Kong) Co., Ltd.	**-**	41,917
China Force Investment (Hong Kong) Co., Ltd.	**-**	1,170
China Force International Trading (Hong Kong) Co., Ltd.	**-**	46,796

Amounts due from related companies are unsecured, interest free and are expected to be recovered within one year. There was no provision made against these amounts at 31 December 2003 and 2004. The directors have obtained confirmation from the Group's PRC legal adviser that such advances did not violate rules and regulations of the PRC.

30 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Amounts due to related companies

	2004	2003
	'000	'000
北京中盛百富投資有限公司 (Beijing China Force Baifu Investment Co., Ltd.)	**-**	2,027
甘肅中盛植物油配送有限公司 (Gansu China Force Vegetable Oil Delivery Co., Ltd.)	**-**	10
江蘇正豐油脂倉儲有限公司 (Jiangsu Zheng Feng Oils and Fats Storage Co., Ltd.)	**1,148**	–
	1,148	2,037

Amounts due to related companies are unsecured, interest free and are expected to be repaid within one year.

31 POST BALANCE SHEET EVENTS

After the balance sheet date, the directors proposed a final dividend. Further details are disclosed in note 12.

32 ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company at 31 December 2004 to be Aswell Group Limited, which is incorporated in the British Virgin Islands.