1 REORGANISATION AND BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

(a) Reorganisation

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.

Pursuant to a group reorganisation (the "Reorganisation") of the Company and its subsidiaries (collectively referred to as 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 of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the subsidiaries. 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 dated 28 September 2004 (the "Prospectus") issued by the Company.

(b) 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 the years presented, rather than from 19 June 2004. As such, the consolidated results of the Group for the year ended 31 December 2004 include the results of the Company and its subsidiaries with effect from 1 January 2004 or since their respective dates of incorporation, whichever is a shorter period. 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.

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 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. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. Information on the changes in accounting policies resulting from initial application of these new and revised HKFRSs for the current and prior accounting periods reflected in these financial statements is provided in note 3.

(b) Basis of preparation of the financial statements

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 their fair value.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 35.

During the year, the operating results of the Group's principal business of fractionation, refining, sale and trading of edible oil products in the People's Republic of China ("PRC") were materially and adversely affected by certain extremely unfavourable market conditions. For the year ended 31 December 2005, the Group incurred a consolidated net loss attributable to equity shareholders of the Company of approximately $312,173,000. As at 31 December 2005, the Group had consolidated net current liabilities of approximately $426,119,000.

In preparing the financial statements, the directors have considered the future liquidity of the Group in view of its net current liabilities. The Group has actively discussed with its principal bankers in order to secure continual financial support. The directors are satisfied that the Group will be able to meet its financial obligations as they fall due and continual support will be provided by the Group's bankers to finance its future working capital and financial requirements. In addition, when necessary, the Group's bankers allow the Group to extend the repayment dates at higher interest rates. Accordingly, the financial statements have been prepared on a going concern basis.

(c) Subsidiaries and controlled entities

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 from the date that control commences until the date that control ceases.

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

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(h)).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Derivative financial instruments

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

(e) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 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 costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing 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 profit or loss on the date of retirement or disposal.

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Construction in progress

Construction in progress represents buildings under construction and equipments pending installation, and is stated at cost less impairment losses (see note 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

(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, or at the date of construction of those buildings, if later.

(ii) 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). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(h). Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 2(q).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leased assets (continued)

(iii) Operating lease charges

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

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

(h) Impairment of assets

(i) Impairment of receivables

Current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. For financial assets carried at 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).

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.

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 leases; and
- investments in subsidiaries.

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.

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

(i) Inventories

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Trade and other receivables

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

(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 cost and redemption value being recognised in profit or loss over the period of the borrowings using the effective interest method.

(l) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Employee benefits

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

Salaries, annual bonuses, paid annual leave, contributions to defined contribution 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 the 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 share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

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 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).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Income tax (continued)

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

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

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

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

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

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

  – the same taxable entity; or

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or 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 expenditure expected to settle the obligation.

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

(q) Revenue recognition

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

(i) Sale of goods

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

(ii) Service income

Service income is recognised when the related service is rendered.

(iii) Subsidy income

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Revenue recognition (continued)

(iv) *Interest income*

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

(v) *Rental income from operating leases*

Rental income receivable under operating leases is recognised in profit or loss 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.

(r) Trust assets

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

(s) Translation of foreign currencies

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

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

The results of 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when 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.

(v) Non-current assets held for sale

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

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Non-current assets held for sale (continued)

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

(w) 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 (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(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.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs that are effective for accounting periods beginning on or after 1 January 2005.

The accounting policies of the Group and/or Company after the adoption of these new and revised HKFRSs have been summarised in note 2. The following sets out information on the significant changes in accounting policies for the current and prior accounting periods reflected in these financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 36).

(a) Restatement of prior periods and opening balances

The following tables disclose the adjustments that have been made in accordance with the transitional provisions of the respective HKFRSs to each of the line items in the consolidated income statement and balance sheet and the Company's balance sheet and other significant related disclosure items as previously reported for the year ended 31 December 2004. The effects of the changes in accounting policies on the balances at 1 January 2004 and 2005 are disclosed in note 26.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Restatement of prior periods and opening balances (continued)

(i) Effect on the consolidated financial statements

Consolidated income statement for the year ended 31 December 2004

	2004 (as previously reported)	Effect of new policy (increase/ (decrease) in profit for the year)			2004 (as restated)
		HKFRS 2 (note 3(c))	HKAS 17 (note 3(g))	Sub-total	
	'000	'000	'000	'000	'000
Turnover	4,569,022	–	–	–	4,569,022
Cost of sales	(4,315,404)	–	–	–	(4,315,404)
Gross profit	253,618	–	–	–	253,618
Other revenue	5,851	–	–	–	5,851
Other net loss	(154)	–	–	–	(154)
Selling and distribution costs	(60,035)	–	–	–	(60,035)
Administrative expenses	(40,932)	(2,728)	–	(2,728)	(43,660)
Profit from operations	158,348	(2,728)	–	(2,728)	155,620
Finance costs	(36,918)	–	–	–	(36,918)
Profit before taxation	121,430	(2,728)	–	(2,728)	118,702
Income tax	(18,118)	–	–	–	(18,118)
Profit for the year	103,312	(2,728)	–	(2,728)	100,584
Dividends payable to equity shareholders of the Company attributable to the year	(24,000)	–	–	–	(24,000)
Earnings per share	16.9 cents	(0.5) cents	–	(0.5) cents	16.4 cents
Other significant disclosure items:					
Staff costs	(23,016)	(2,728)	–	(2,728)	(25,744)
Amortisation of land lease premium	–	–	(559)	(559)	(559)
Depreciation	(23,486)	–	559	559	(22,927)

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Restatement of prior periods and opening balances (continued)

(i) Effect on the consolidated financial statements (continued)

Consolidated balance sheet at 31 December 2004

	2004 (as previously reported)	Effect of new policy (increase/ (decrease) in net assets) HKFRS 2 (note 3(c))	HKAS 1 (note 3(e))	HKAS 17 (note 3(g))	Sub-total	2004 (as restated)
	'000	'000	'000	'000	'000	'000
Non-current assets						
Property, plant and equipment	458,779	–	–	(48,512)	(48,512)	410,267
Interests in leasehold land held for own use under operating leases	–	–	–	48,512	48,512	48,512
Deposits paid for acquisition of fixed assets	–	–	9,594	–	9,594	9,594
Construction in progress	51,234	–	–	–	–	51,234
Deferred tax assets	704	–	–	–	–	704
	510,717	–	9,594	–	9,594	520,311
Current assets	1,124,915	–	(9,594)	–	(9,594)	1,115,321
Current liabilities	(966,574)	–	–	–	–	(966,574)
Net current assets	158,341	–	(9,594)	–	(9,594)	148,747
Total assets less current liabilities	669,058	–	–	–	–	669,058
Non-current liabilities	(56,604)	–	–	–	–	(56,604)
NET ASSETS	612,454	–	–	–	–	612,454
CAPITAL AND RESERVES						
Attributable to equity shareholders of the Company						
Share capital	100,000	–	–	–	–	100,000
Capital reserve	–	2,728	–	–	2,728	2,728
Other reserves	289,439	–	–	–	–	289,439
Retained profits	223,015	(2,728)	–	–	(2,728)	220,287
	612,454	–	–	–	–	612,454

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Restatement of prior periods and opening balances (continued)

(ii) Effect on the Company's balance sheet

Balance sheet at 31 December 2004

	2004 (as previously reported) '000	Effect of new policy (increase/ (decrease) in net assets) HKFRS 2 (note 3(c)) '000	2004 (as restated) '000
NET ASSETS	553,097	–	553,097
CAPITAL AND RESERVES			
Share capital	100,000	–	100,000
Capital reserve	–	2,728	2,728
Other reserves	453,121	–	453,121
Accumulated loss	(24)	(2,728)	(2,752)
	553,097	–	553,097

(b) Estimated effect of changes in accounting policies on the current period

The following tables provide estimates of the extent to which each of the line items in the consolidated income statement and balance sheet and the Company's balance sheet and other significant related disclosure items for the year ended 31 December 2005 is higher or lower than it would have been had the previous policies still been applied in the year, where it is practicable to make such estimates.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Estimated effect of changes in accounting policies on the current period (continued)

(i) Effect on the consolidated financial statements

Estimated effect on the consolidated income statement for the year ended 31 December 2005:

	Estimated effect of new policy ((increase)/decrease in loss for the year)					
	HKFRS 2 (note 3(c)) '000	HKFRS 5 (note3(d)) '000	HKAS 1 (note 3(e)) '000	HKAS 17 (note 3(g)) '000	HKAS 32 & 39 (note 3(f)) '000	Total '000
Cost of sales	–	–	–	–	33,143	33,143
Gross loss	–	–	–	–	33,143	33,143
Administrative expenses	(11,200)	–	–	–	–	(11,200)
Loss from operations	(11,200)	–	–	–	33,143	21,943
Finance costs	–	–	–	–	–	–
Loss before taxation	(11,200)	–	–	–	33,143	21,943
Income tax	–	–	–	–	(5,800)	(5,800)
Loss for the year	(11,200)	–	–	–	27,343	16,143
Dividends payable to equity shareholders of the Company attributable to the year	–	–	–	–	–	–
Loss per share	(1.4) cents	–	–	–	3.4 cents	2.0 cents
Other significant disclosure items:						
Staff costs	(11,200)	–	–	–	–	(11,200)
Amortisation of land lease premium	–	–	–	(1,295)	–	(1,295)
Depreciation	–	–	–	1,295	–	1,295
Changes in fair value of commodity derivative contracts	–	–	–	–	33,143	33,143

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Estimated effect of changes in accounting policies on the current period (continued)

(i) Effect on the consolidated financial statements (continued)

Estimated effect on the consolidated balance sheet at 31 December 2005:

	Estimated effect of new policy (increase/(decrease) in net assets)					
	HKFRS 2 (note 3(c)) '000	HKFRS 5 (note3(d)) '000	HKAS 1 (note 3(e)) '000	HKAS 17 (note 3(g)) '000	HKAS 32 & 39 (note 3(f)) '000	Total '000
Non-current assets						
Property, plant and equipment	–	–	–	(63,273)	–	(63,273)
Interests in leasehold land held for own use under operating leases	–	–	–	63,273	–	63,273
Deposits paid for acquisition of fixed assets	–	–	18,884	–	–	18,884
Construction in progress	–	(10,031)	–	–	–	(10,031)
	–	(10,031)	18,884	–	–	8,853
Current assets						
Trade and other receivables, deposits and prepayments	–	–	(18,884)	–	25,571	6,687
	–	–	(18,884)	–	25,571	6,687
Non-current assets classified as held for sale	–	10,031	–	–	–	10,031
	–	10,031	(18,884)	–	25,571	16,718
Current liabilities						
Trade and other payables	–	–	–	–	(25)	(25)
Bank loans	–	–	–	–	(25,571)	(25,571)
	–	–	–	–	(25,596)	(25,596)
Net current liabilities	–	10,031	(18,884)	–	(25)	(8,878)
Total assets less current liabilities	–	–	–	–	(25)	(25)
Non-current liabilities	–	–	–	–	–	–
NET ASSETS	–	–	–	–	(25)	(25)
CAPITAL AND RESERVES						
Effect attributable to equity shareholders of the Company						
Share capital	–	–	–	–	–	–
Capital reserve	11,200	–	–	–	–	11,200
Other reserves	–	–	–	–	–	–
Accumulated loss	(11,200)	–	–	–	(25)	(11,225)
	–	–	–	–	(25)	(25)

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Estimated effect of changes in accounting policies on the current period (continued)

(i) Effect on the consolidated financial statements (continued)

Estimated effect on amounts recognised as capital transactions with owners of the Group for the year ended 31 December 2005:

	Estimated effect of new policy (increase/(decrease)) HKFRS 2 (note 3(c)) '000
Attributable to equity shareholders of the Company	11,200

(ii) Effect on the Company's balance sheet

Estimated effect on the balance sheet at 31 December 2005:

	Estimated effect of new policy (increase/(decrease) in net assets) HKFRS 2 (note 3(c)) '000
NET ASSETS	–
CAPITAL AND RESERVES	
Share capital	–
Capital reserve	11,200
Other reserves	–
Retained profits	(11,200)
	–

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Estimated effect of changes in accounting policies on the current period (continued)

(ii) Effect on the Company's balance sheet (continued)

Estimated effect on amounts recognised as capital transactions with owners of the Company for the year ended 31 December 2005:

	Estimated effect of new policy (increase/(decrease)) HKFRS 2 (note 3(c)) '000
Attributable to equity shareholders of the Company	11,200

(c) Employee share option scheme (HKFRS 2, Share-based payment)

In prior years, no amounts were recognised when employees (which term includes directors) were granted share options over shares in the Company. If the employees chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

With effect from 1 January 2005, in order to comply with HKFRS 2, the Group has adopted a new policy for employee share options. Under the new policy, the Group recognises the fair value of such share options as an expense with a corresponding increase recognised in the capital reserve within equity. Further details of the new policy are set out in note 2(n)(ii).

The new accounting policy has been applied retrospectively with comparatives restated in accordance with HKFRS 2. The adjustments for each financial statement line item affected for the years ended 31 December 2004 and 2005 are set out in notes 3(a) and (b). No adjustments to the opening balances as at 1 January 2004 are required as no options existed at that time.

Details of the employee share option scheme are set out in note 25.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(d) Non-current assets classified as held for sale (HKFRS 5, Non-current assets held for sale and discontinued operations)

With effect from 1 January 2005, in order to comply with HKFRS 5, 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 liability directly associated with those assets that will be transferred in the transaction. On initial classification as held for sale and until disposal, the non-current assets (except for certain assets including deferred tax assets and financial assets (other than investments in subsidiaries)), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial recognition as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(e) Changes in presentation (HKAS 1, Presentation of financial statements)

Deposits paid for acquisition of fixed assets (HKAS 1, Presentation of financial statements)

With effect from 1 January 2005, in order to comply with HKAS 1, the Group has critically reviewed the classification of current and non-current assets, and current and non-current liabilities. As a result, it has changed its accounting policy relating to presentation of deposits paid for acquisition of fixed assets. Under the new policy, deposits paid for acquisition of fixed assets are presented separately in the balance sheet as part of non-current assets. These changes in presentation have been applied retrospectively with comparatives restated as shown in note 3(a).

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (HKAS 32, Financial instruments: Disclosure and presentation and HKAS 39, Financial instruments: Recognition and measurement)

With effect from 1 January 2005, in order to comply with HKAS 32 and HKAS 39, the Group has changed its accounting policies relating to financial instruments to those as set out in notes 2(d), (h) and (j) to (l). Further details of the changes are as follows:

(i) Derivative financial instruments

In prior years, where a non-speculative commodity derivative contract was used as a hedge of a net oil commodity position, the gain or loss upon the realisation of the contract was dealt with in the consolidated financial statements as part of the cost of direct materials. No gain or loss was recognised in relation to a non-speculative commodity derivative contract which was used to match the Group's firm commitment until the transactions occurred.

With effect from 1 January 2005, and in accordance with HKAS 39, all commodity derivative contracts entered into by the Group are stated at fair value. Changes in the fair value of commodity derivative contracts are recognised in profit or loss as the hedging relationship does not qualify for hedge accounting under HKAS 39.

This change was adopted by way of an adjustment to the opening balance of the retained earnings as at 1 January 2005 by a decrease of $33,168,000. Comparative amounts have not been restated as this is prohibited by the transitional arrangements in HKAS 39.

(ii) Discounting of bills receivable

With effect from 1 January 2005, the Group recognises and measures its financial assets and financial liabilities in accordance with the requirements of HKAS 39.

This new policy has been adopted prospectively. As a result of this new policy, bills discounted with banks with recourse totalling $25,571,000 as at 31 December 2005 were not derecognised from the balance sheet, and the related bills receivable and advances from banks were reported under "bills receivable" and "secured bank loans" respectively. The comparatives have not been restated. The discounted bills as at 31 December 2004 totalling $192,118,000 were derecognised from the balance sheet and disclosed as contingent liabilities.

The adjustments for each financial statement line item affected as at 31 December 2005 are set out in note 3(b).

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(g) Leasehold land and buildings held for own use (HKAS 17, Leases)

In prior years, leasehold land and buildings held for own use (including land use rights paid to the PRC government authorities) were stated at cost less accumulated depreciation and accumulated impairment losses.

With effect from 1 January 2005, in order to comply with HKAS 17, the Group has adopted a new policy for leasehold land and buildings held for own use. Under the new policy, the leasehold interest in the land held for own use is accounted for as being held under an operating lease where the fair value of the interest in any buildings situated on the leasehold land could be measured separately from the fair value of the leasehold interest in the land at the time the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

Further details of the new policy are set out in notes 2(e) and (g). Any buildings held for own use which are situated on such land leases continue to be presented as part of property, plant and equipment and are also stated at cost less accumulated depreciation, to be consistent with the new policy required to be adopted for the land element.

(h) Definition of related parties (HKAS 24, Related party disclosures)

As a result of the adoption of HKAS 24, Related party disclosures, the definition of related parties as disclosed in note 2(w) has been expanded to clarify that related parties include entities that are under the significant influence of a related party that is an individual (i.e. key management personnel, significant shareholders and/or their close family members) and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group. The clarification of the definition of related parties has not resulted in any material changes to the previously reported disclosures of related party transactions nor has it had any material effect on the disclosures made in the current period, as compared to those that would have been reported had SSAP 20, Related party disclosures, still been in effect.

4 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:

	2005	2004
	'000	'000
Sales of		
– Refined soyabean oil	**1,796,020**	2,358,205
– Crude soyabean oil	**379,911**	525,742
– Palm oil	**1,172,359**	1,519,000
– Sunflower seed oil	**8,297**	34,566
– Other edible oils and related products	**227,708**	90,794
Small pack edible oils	**26,001**	–
Logistics and storage charges	**16,972**	29,782
Processing charges of edible oil products	**12,495**	10,933
	3,639,763	4,569,022

The Group's turnover and operating loss/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.

5 OTHER REVENUE AND NET INCOME/(LOSS)

	2005 '000	2004 '000
Other revenue		
Interest income	**2,026**	1,526
Rental income	**–**	191
Subsidy income	**798**	1,846
Insurance compensation	**4,863**	1,826
Sundry income	**1,002**	462
	8,689	5,851

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

	2005 '000	2004 '000
Other net income/(loss)		
Exchange gain	**1,793**	50
Gain/(loss) on disposal of fixed assets	**11**	(431)
Miscellaneous net income	**2**	227
	1,806	(154)

6 (LOSS)/PROFIT BEFORE TAXATION

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

		2005	2004
			(restated)
		'000	'000
(a)	Finance costs		
	Interest on bank advances and other borrowings wholly repayable within five years	**53,723**	36,095
	Discounting charges	**1,147**	823
		54,870	36,918
(b)	Staff costs		
	Salaries, wages and bonuses	**32,820**	19,516
	Staff welfare	**4,998**	2,542
	Contributions to retirement benefit schemes	**2,110**	958
	Equity-settled share-based payment expenses	**11,200**	2,728
		51,128	25,744
(c)	Other items		
	Cost of inventories# (note 17(b))	**3,806,636**	4,315,404
	Amortisation of land lease premium	**1,295**	559
	Depreciation	**34,682**	22,927
	Changes in fair value of commodity derivative contracts	**(33,143)**	–
	Realised loss/(gain) on commodity derivative contracts	**85,504**	(52,653)
	Auditors' remuneration	**3,194**	1,880
	Impairment losses for bad and doubtful debts	**6,534**	–
	Operating lease charges in respect of properties	**5,982**	4,829

Cost of inventories includes $74,791,000 (2004: $(36,481,000)) relating to staff costs, depreciation and amortisation expenses, changes in fair value of commodity derivative contracts and realised loss/(gain) on commodity derivative contracts, which amount is also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

7 TAXATION

(a) Taxation in the consolidated income statement represents:

	2005 '000	2004 '000
Current tax – Hong Kong Profits Tax		
Provision for the year	–	7,601
Over-provision in respect of prior year	(139)	–
	(139)	7,601
Current tax – PRC income tax		
Provision for the year	–	11,186
Tax refund for re-investment	(1,292)	–
Over-provision in respect of prior year	(4,016)	–
	(5,308)	11,186
Deferred tax		
Origination and reversal of temporary differences (note 15(a))	(48,136)	(669)
Total income tax (credit)/expense	(53,583)	18,118

7 TAXATION (CONTINUED)

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

	2005	2004 (restated)
	'000	'000
(Loss)/profit before tax	**(365,756)**	118,702
Notional tax on (loss)/profit before tax, calculated at the rates applicable to the tax jurisdiction concerned	**(65,016)**	26,683
Non-deductible expenses	**2,784**	1,961
Unused tax losses not recognised	**14,096**	(45)
Over-provision in respect of prior year	**(4,155)**	–
Tax refund of re-investment	**(1,292)**	–
Tax concessions obtained	**–**	(10,481)
Actual tax (credit)/expense	**(53,583)**	18,118

The provision for Hong Kong Profits Tax for 2005 is calculated at 17.5% (2004: 17.5%).

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	**2005**	2004
Beijing China Force Huarui Management Consultant Co., Ltd. ("China Force (Beijing)")		**33%**	33%
Shanghai China Force Huaxu Management Consultant Co., Ltd. ("China Force (Shanghai)")		**33%**	N/A
China Force Oils (Tianjin) Co., Ltd. ("China Force Oils (Tianjin)")	(i)	**15%**	N/A
China Force Oils & Grains Industrial (Dongguan) Co., Ltd. ("China Force (Dongguan)")	(ii)	**0%**	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%

7 TAXATION (CONTINUED)

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

Notes:

(i) As China Force Oils (Tianjin) operated less than six months and did not generate assessable profits during the year ended 31 December 2005, management did not apply for tax holiday.

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

As China Force (Dongguan) operated less than six months in the year ended 31 December 2004, management obtained an approval from the local tax authority and postponed kicking off tax holiday in 2005. The year ended 31 December 2005 became the first year of tax holiday.

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 2005.

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:

	2005 ’000	2004 ’000
Provision for Hong Kong Profits Tax for the year	**-**	7,601
Provisional Profits Tax refunded	**-**	39
	-	7,640
PRC income tax payable	**-**	3,040
Current tax payable	**-**	10,680

8 DIRECTORS' REMUNERATION

Details of directors' remuneration are as follows:

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

8 DIRECTORS' REMUNERATION (CONTINUED)

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

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments (note) (restated)	2004 Total (restated)
	'000	'000	'000	'000	'000	'000	'000
Executive directors							
Mr Lim Wa	–	1,200	–	12	1,212	–	1,212
Mr Lam Cham	–	1,200	–	12	1,212	256	1,468
Mr Ding Ming Shan	–	800	–	7	807	136	943
Mr Li Xiao Ning	–	351	25	12	388	136	524
Independent non-executive directors							
Professor Xiao Zhuo Ji	159	–	–	–	159	–	159
Dr Wong Lung Tak, Patrick	106	–	–	–	106	–	106
Mr Chan Kin Sang	106	–	–	–	106	–	106
Total	371	3,551	25	43	3,990	528	4,518

Note:

These represent the estimated value of share options granted to the directors pursuant to the Company's share option schemes. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(n). Details of these benefits in kind are disclosed under the paragraph "Share option scheme" in the directors' report and note 25.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2004: three) are directors of whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other two (2004: two) individuals are as follows:

	2005	2004
		(restated)
	'000	'000
Salaries and other emoluments	**2,500**	1,267
Discretionary bonuses	**–**	170
Share-based payments	**315**	77
Retirement scheme contributions	**22**	21
	2,837	1,535

The emoluments of the two (2004: two) individuals with the highest emoluments are within the following bands:

	2005	2004
	Number of	Number of
$	**individuals**	individuals
Nil – 1,000,000	**–**	2
1,000,001 – 1,500,000	**1**	–
1,500,001 – 2,000,000	**1**	–

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

10 LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss attributable to shareholders of the Company includes a profit of $35,385,000 (2004 loss (restated): $2,752,000) which has been dealt with in the financial statements of the Company.

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

	2005 '000	2004 (restated) '000
Amount of loss attributable to equity shareholders dealt with in the Company's financial statements	**(12,644)**	(2,752)
Final dividends from subsidiaries attributable to the profits of the previous financial year, approved and paid during the year	**147,600**	–
Impairment loss on investment in subsidiaries	**(99,571)**	–
Company's profit/(loss) for the year (note 26(b))	**35,385**	(2,752)

11 DIVIDENDS

Dividends payable to equity shareholders of the Company attributable to the year:

	2005 '000	2004 '000
Final dividend proposed after the balance sheet date of nil cent per ordinary share (2004: 3 cents per ordinary share)	**–**	24,000

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

12 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to shareholders of $312,173,000 (2004 (restated): profit of $100,584,000) and the weighted average of 800,000,000 ordinary shares (2004: 612,603,000 ordinary shares after adjusting for the capitalisation issue in 2004) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	Number of shares	
	2005	2004
	'000	'000
Issued ordinary shares at 1 January#	**800,000**	560,000
Effect of shares issued pursuant to the public offering	**–**	52,603
Weighted average number of ordinary shares at 31 December	**800,000**	612,603

Issued ordinary shares at 1 January 2004 represented shares of the Company in issue as at the date of the Prospectus, as if the shares were outstanding throughout 2004.

(b) Diluted (loss)/earnings per share

There were no dilutive potential ordinary shares in issue during the years ended 31 December 2004 and 2005, as the historical market prices of the Company's shares were below the exercise price of the share options $1.23 during the years ended 31 December 2004 and 2005.

13 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 leases '000	Total '000
Cost:							
At 1 January 2005 (restated)	230,211	205,298	6,884	16,401	458,794	50,119	508,913
Exchange adjustments	4,706	4,005	144	295	9,150	1,145	10,295
Additions	4,627	1,576	890	1,857	8,950	10,643	19,593
Transfer from construction in progress (note 14)	45,207	9,326	–	642	55,175	–	55,175
Disposals	(698)	(9)	(352)	–	(1,059)	–	(1,059)
Reclassification	(4,311)	–	–	–	(4,311)	4,311	–
At 31 December 2005	279,742	220,196	7,566	19,195	526,699	66,218	592,917
Accumulated amortisation and depreciation:							
At 1 January 2005 (restated)	13,453	28,005	2,556	4,513	48,527	1,607	50,134
Exchange adjustments	376	770	85	105	1,336	43	1,379
Charge for the year	12,102	18,766	1,126	2,688	34,682	1,295	35,977
Written back on disposals	(698)	(3)	(264)	–	(965)	–	(965)
At 31 December 2005	25,233	47,538	3,503	7,306	83,580	2,945	86,525
Net book value:							
At 31 December 2005	254,509	172,658	4,063	11,889	443,119	63,273	506,392

13 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 leases '000	Total '000
Cost:							
At 1 January 2004 (restated)	125,264	125,137	4,261	10,657	265,319	13,337	278,656
Additions	7,408	7,476	2,878	4,379	22,141	36,782	58,923
Transfer from construction in progress (note 14)	108,426	73,013	–	1,381	182,820	–	182,820
Disposals	(10,887)	(328)	(255)	(16)	(11,486)	–	(11,486)
At 31 December 2004 (restated)	230,211	205,298	6,884	16,401	458,794	50,119	508,913
Accumulated amortisation and depreciation:							
At 1 January 2004 (restated)	8,262	14,186	1,786	2,663	26,897	1,048	27,945
Charge for the year	6,290	13,846	927	1,864	22,927	559	23,486
Written back on disposals	(1,099)	(27)	(157)	(14)	(1,297)	–	(1,297)
At 31 December 2004 (restated)	13,453	28,005	2,556	4,513	48,527	1,607	50,134
Net book value:							
At 31 December 2004 (restated)	216,758	177,293	4,328	11,888	410,267	48,512	458,779

13 FIXED ASSETS (CONTINUED)

The Group (continued)

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

	2005 '000	2004 '000
In Hong Kong		
– Long lease	**839**	857
Outside Hong Kong		
– Medium-term leases	**316,943**	264,413
	317,782	265,270
Representing:		
Land and buildings held for own use carried at cost	**254,509**	216,758
Interests in leasehold land held for own use under operating leases	**63,273**	48,512
	317,782	265,270

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

Certain interests in leasehold land held for own use under operating leases, buildings held for own use carried at cost, and machinery and equipment are mortgaged to banks for certain banking facilities granted to the Group as disclosed in note 23.

(b) The Group leased out part of the 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 time all terms were negotiated. One of the leases included contingent rentals totalling $191,000 in 2004, which was terminated before 31 December 2004.

13 FIXED ASSETS (CONTINUED)

The Group (continued)

(c) The interests in leasehold land held for own use under operating leases and buildings held for own use carried at cost of the Group situated in the PRC represent land use rights together with the buildings thereon situated in Tianjin, Zhenjiang and Dongguan, the PRC. The applications for property ownership certificates of certain of these buildings with net book value totalling $47,338,000 (2004: $51,250,000) are still in progress and these property ownership certificates have not yet been issued to the Group by the relevant municipal Housing Administration Bureau in the PRC as at the balance sheet date. Notwithstanding this, the directors are of the opinion that the Group has acquired the beneficial title to these buildings as at 31 December 2005 and, the property ownership certificates can be obtained.

14 CONSTRUCTION IN PROGRESS

	The Group	
	2005	2004 (restated)
	'000	'000
Cost:		
At 1 January	**51,234**	26,800
Exchange adjustments	**1,681**	–
Additions	**123,236**	207,254
Transfer to fixed assets (note 13)	**(55,175)**	(182,820)
Transfer to non-current assets classified as held for sale (note 21)	**(10,031)**	–
At 31 December	**110,945**	51,234

The construction in progress at 31 December 2005 primarily relates to the additional production premises and facilities of subsidiaries in the PRC.

15 DEFERRED TAXATION

(a) Deferred tax assets recognised

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

	Tax losses '000	Impairment losses of receivables and inventories '000	Deductible temporary differences '000	Total '000
At 1 January 2004	–	–	35	35
Credited to consolidated income statement (note 7(a))	–	–	669	669
At 31 December 2004	–	–	704	704
At 1 January 2005	–	–	704	704
Exchange adjustments	–	–	14	14
Credited to consolidated income statement (note 7(a))	44,684	1,500	1,952	48,136
At 31 December 2005	44,684	1,500	2,670	48,854

	2005 '000	2004 '000
Net deferred tax assets recognised on the consolidated balance sheet	**48,854**	704
Net deferred tax liabilities recognised on the consolidated balance sheet	**–**	–
	48,854	704

15 DEFERRED TAXATION (CONTINUED)

(b) Deferred tax assets not recognised

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 $80,549,000 (2004: Nil) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

16 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2005	2004
	'000	'000
Unlisted shares, at cost	**279,498**	279,498
Less: impairment loss	**(99,571)**	–
	179,927	279,498

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

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

		Issued and	Proportion of ownership interest			
Name of company	Place of incorporation/ operations	fully paid-up/ registered capital '000	Group's effective interest %	Held by the Company %	Held by a subsidiary %	Principal activities
China Force Oils & Grains Industrial Limited	British Virgin Islands/ Hong Kong	US$12,000	100	100	–	Investment holding
China Force Oils & Grains Industrial (Hong Kong) Co., Ltd.	Hong Kong	$1,000	100	–	100	Trading of edible oils
China Force Oils & Grains (Tianjin) Industry Co., Ltd.	The PRC	US$10,000	100	–	100	Production and sale of edible oils and related services
China Force Oils & Grains Industrial (Zhenjiang) Co., Ltd.	The PRC	US$9,537	100	–	100	Production and sale of edible oils and related services
China Force 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

16 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 (Dongguan) Co., Ltd.	The PRC	US$13,760	100	–	100	Production and sale of edible oils and related services
China Force Oils & Grains Industrial (Xiamen) Ltd.	The PRC	US$3,500	100	–	100	Production and sale of edible oils and related services
China Force Protein Biotechnology (Zhenjiang) Co., Ltd.	The PRC	US$6,800	100	–	100	Production and sale of protein related products
China Force Modern Storage & Transportation (Zhenjiang) Co., Ltd.	The PRC	US$7,500	100	–	100	Logistics services
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$2,500	100	–	100	Production and sale of small pack edible oils

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

17 INVENTORIES

(a) Inventories in the balance sheet comprise:

	The Group	
	2005	2004
	'000	'000
Crude soyabean oil	**360,745**	5,368
Palm oil	**40,049**	97,457
Refined soyabean oil	**30,836**	17,369
Vegetable oil	**8,621**	–
Small pack edible oil	**5,207**	–
Sunflower seed oil	**2,532**	8,386
Other oils	**2,361**	–
Other materials	**3,424**	2,565
	453,775	131,145

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

	The Group	
	2005	2004
	'000	'000
Carrying amount of inventories sold	**3,752,293**	4,368,057
Changes in fair value of commodity derivative contracts	**(33,143)**	–
Realised loss/(gain) on commodity derivative contracts	**85,504**	(52,653)
Write-down of inventories	**1,982**	–
	3,806,636	4,315,404

18 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2005	2004 (restated)	**2005**	2004
	'000	'000	**'000**	'000
Debtors and bills receivable	**192,593**	110,746	**–**	–
Amounts due from subsidiaries	**–**	–	**395,761**	236,083
Prepayments for purchases of raw materials	**81,133**	258,957	**–**	–
Deposits and other receivables	**122,194**	66,418	**182**	3,492
	395,920	436,121	**395,943**	239,575

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

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

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

	The Group	
	2005	2004
	'000	'000
Within 3 months	**191,219**	101,033
More than 3 months but less than 6 months overdue	**963**	4,925
More than 6 months but less than 12 months overdue	**411**	4,788
	192,593	110,746

The Group's credit policy is set out in note 27(a).

Included in deposits and other receivables is an amount paid to a related company for acquisition of an office unit of $2,167,000 at 31 December 2005 (2004: $2,126,000).

18 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

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

	The Group	
	2005	2004
	'000	'000
United States Dollars	**USD20,581**	USD15,455

19 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	
	2005	2004	**2005**	2004
	'000	'000	**'000**	'000
Cash at bank	**116,289**	434,916	**475**	34,157
Cash in hand	**1,867**	1,773	**–**	–
	118,156	436,689	**475**	34,157

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

	The Group		The Company	
	2005	2004	**2005**	2004
	'000	'000	**'000**	'000
United States Dollars	**USD1,297**	USD13,870	**USD3**	USD2

Other than disclosed above, cash and cash equivalents of $107,099,000 (2004: $228,260,000) are denominated in RMB. RMB is not a freely convertible currency in the PRC and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

20 OTHER DEPOSITS

The Group has placed deposits of $2,022,000 (2004: $68,308,000) 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 2005, the Group had commitments in respect of purchases of raw materials totalling $203,783,000 (2004: $1,069,384,000). The notional amounts of the Group's commodity derivative contracts were as follows:

	2005	2004
	'000	'000
Future commodity contracts	**2,393**	1,011,070
Forward commodity contracts	**–**	7,118
	2,393	1,018,188

The unrealised loss on the Group's commodity derivative contracts remeasured at fair value as at 31 December 2005 was $25,000 (2004 (not restated): $33,168,000), which was recognised in profit or loss for the year then ended.

21 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

The non-current assets classified as held for sale at 31 December 2005 represent certain equipment transferred from construction in progress as it is highly probable that the carrying amount of such equipment will be recovered through a sale transaction.

The proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and, accordingly, no impairment loss has been recognised on the classification of the non-current assets as held for sale.

22 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2005	2004	**2005**	2004
	'000	'000	**'000**	'000
Trade creditors	**421,509**	195,981	**–**	–
Bills payable	**–**	65,094	**–**	–
	421,509	261,075	**–**	–
Amount due to a subsidiary	**–**	–	**13**	–
Accrued charges and other payables	**74,120**	79,047	**650**	133
Receipts in advance	**28,886**	17,165	**–**	–
Derivative financial instruments (liabilities)	**25**	–	**–**	–
	524,540	357,287	**663**	133

Bills payable at 31 December 2005 were secured by pledged bank deposits of $Nil (2004: $22,198,000).

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

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

	2005	2004
	'000	'000
Due within 3 months	**421,509**	261,075

22 TRADE AND OTHER PAYABLES (CONTINUED)

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

	The Group	
	2005	2004
	'000	'000
United States Dollars	**USD1,739**	USD5,519

23 BANK LOANS

At 31 December 2005, the bank loans were repayable as follows:

	The Group	
	2005	2004
	'000	'000
Within 1 year or on demand	**963,312**	597,459
After 1 year but within 2 years	**–**	56,604
	963,312	654,063

23 BANK LOANS (CONTINUED)

At 31 December 2005, terms of bank loans were as follows:

	2005			2004		
	Book value of pledged assets	Interest rate	Bank loans	Book value of pledged assets	Interest rate	Bank loans
	'000	%	'000	'000	%	'000
Bank loans secured by						
Fixed assets	228,463	5.58 – 6.00	184,519	181,981	5.31 – 5.84	133,303
Bank deposits	81,710	4.70 – 5.95	64,010	20,860	3.88 – 4.54	46,315
Inventories	324,083	4.56 – 6.25	408,847	120,194	5.04 – 5.86	233,019
Discounted bills with recourse	25,571	–	25,571	–	–	–
			682,947			412,637
Unsecured bank loans						
Repayable						
– within 1 year	–	3.34 - 6.14	280,365	–	4.05 - 5.84	213,124
– after 1 year but within 2 years	–	–	–	–	5.49 - 5.49	28,302
			280,365			241,426

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

	The Group	
	2005	2004
	'000	'000
United States Dollars	**USD27,094**	USD20,612

24 RETIREMENT BENEFITS

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

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

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

25 EQUITY SETTLED SHARE-BASED TRANSACTIONS

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

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

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

(iii) the nominal value of the shares.

(Expressed in Hong Kong dollars)

25 EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

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

(i) Pre-IPO Share Option Scheme

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

25 EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(a) (Continued)

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

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

(ii) Share Option Scheme

As at 31 December 2005, no options were granted under the Share Option Scheme.

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

	2005		2004	
	Exercise price	**Number of options '000**	Exercise price	Number of options '000
Outstanding at the beginning of the year	**1.23**	**64,000**	–	–
Exercised during the year	**–**	**–**	–	–
Granted during the year	**–**	**–**	1.23	64,000
Outstanding at the end of the year	**1.23**	**64,000**	1.23	64,000
Exercisable at the end of the year	**1.23**	**12,800**	1.23	–

(Expressed in Hong Kong dollars)

25 EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(c) Fair value of share options and assumptions

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

Fair value of share options and assumptions

	2005	2004
Fair value at measurement date	**$ 0.44**	$ 0.44
Share price	**$ 1.23**	$ 1.23
Exercise price	**$ 1.23**	$ 1.23
Expected volatility	**47%**	47%
Option life (expressed as weighted average life used in the modelling under binomial lattice model)	**5.14 years**	5.14 years
Expected dividends	**3.37%**	3.37%
Risk-free interest rate (based on Exchange Fund Notes)	**3.30%**	3.30%

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

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

26 CAPITAL AND RESERVES

(a) The Group

	Note	Share capital '000	Share premium '000	Statutory reserves '000	Capital reserve '000	Exchange reserve '000	Retained profits/ (accumulated loss) '000	Total equity '000
At 1 January 2004	26(c)(i)	93,600	–	11,222	–	–	130,697	235,519
Capital elimination on consolidation	26(c)(ii)	(93,600)	–	–	–	–	–	(93,600)
Issuance of new shares	26(c)(iii)	70,000	23,600	–	–	–	–	93,600
Share consolidation	26(c)(iii)	(70,000)	–	–	–	–	–	(70,000)
Issuance of new shares	26(c)(iii)	70,000	–	–	–	–	–	70,000
Issuance of new shares for placing and public offering	26(c)(iv)	30,000	265,200	–	–	–	–	295,200
Share issuing costs	26(c)(iv)	–	(21,577)	–	–	–	–	(21,577)
Equity settled share-based transactions (restated)		–	–	–	2,728	–	–	2,728
Profit for the year (restated)		–	–	–	–	–	100,584	100,584
Appropriations to statutory reserves		–	–	10,994	–	–	(10,994)	–
At 31 December 2004 (as restated)		100,000	267,223	22,216	2,728	–	220,287	612,454
At 1 January 2005								
– as previously reported		100,000	267,223	22,216	–	–	223,015	612,454
– prior period adjustment in respect of HKFRS 2	3(a)(i)	–	–	–	2,728	–	(2,728)	–
– as restated, before opening balance adjustment		100,000	267,223	22,216	2,728	–	220,287	612,454
– opening balance adjustment in respect of HKAS 39	3(f)(i)	–	–	–	–	–	(33,168)	(33,168)
– as restated, after opening balance adjustment, carried forward		100,000	267,223	22,216	2,728	–	187,119	579,286

26 CAPITAL AND RESERVES (CONTINUED)

(a) The Group (continued)

	Note	Share capital '000	Share premium '000	Statutory reserves '000	Capital reserve '000	Exchange reserve '000	Retained profits/ (accumulated loss) '000	Total equity '000
At 1 January 2005 (as restated) brought forward		100,000	267,223	22,216	2,728	–	187,119	579,286
Dividends approved in respect of the previous year	11	–	–	–	–	–	(24,000)	(24,000)
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong		–	–	–	–	4,643	–	4,643
Equity settled share-based transactions		–	–	–	11,200	–	–	11,200
Loss for the year		–	–	–	–	–	(312,173)	(312,173)
Appropriations to statutory reserves		–	–	10,272	–	–	(10,272)	–
At 31 December 2005		100,000	267,223	32,488	13,928	4,643	(159,326)	258,956

26 CAPITAL AND RESERVES (CONTINUED)

(b) The Company

	Note	Share capital '000	Share premium '000	Contributed surplus '000	Capital reserve '000	(Accumulated loss)/ retained profit '000	Total '000
At 1 January 2004		–	–	–	–	–	–
Arising on Reorganisation	26(d)(i)	–	–	185,898	–	–	185,898
Issuance of new shares	26(c)(iii)	70,000	23,600	–	–	–	93,600
Share consolidation	26(c)(iii)	(70,000)	–	–	–	–	(70,000)
Issuance of new shares	26(c)(iii)	70,000	–	–	–	–	70,000
Equity settled share-based transactions (restated)		–	–	–	2,728	–	2,728
Issuance of new shares for placing and public offering	26(c)(iv)	30,000	265,200	–	–	–	295,200
Share issuing costs	26(c)(iv)	–	(21,577)	–	–	–	(21,577)
Loss for the year (restated)		–	–	–	–	(2,752)	(2,752)
At 31 December 2004 (as restated)		100,000	267,223	185,898	2,728	(2,752)	553,097
At 1 January 2005							
– as previously reported		100,000	267,223	185,898	–	(24)	553,097
– prior period adjustment in respect of HKFRS 2	3(a)(i)	–	–	–	2,728	(2,728)	–
– as restated, after prior period adjustment, carried forward		100,000	267,223	185,898	2,728	(2,752)	553,097
Equity settled share-based transactions		–	–	–	11,200	–	11,200
Dividends approved in respect of the previous year	11	–	–	–	–	(24,000)	(24,000)
Profit for the year		–	–	–	–	35,385	35,385
At 31 December 2005		100,000	267,223	185,898	13,928	8,633	575,682

26 CAPITAL AND RESERVES (CONTINUED)

(c) Share capital

Authorised and issued share capital

	Note	**2005** No. of shares '000	**2005** Amount '000	2004 No. of shares '000	2004 Amount '000
Authorised:					
Ordinary share of $0.125 each		**3,200,000**	**400,000**	3,200,000	400,000
Ordinary shares, issued and fully paid:					
At 1 January	(i)	**800,000**	**100,000**	120,000	93,600
Capital elimination on consolidation	(ii)	**–**	**–**	(120,000)	(93,600)
Issuance of new shares	(iii)	**–**	**–**	700,000	70,000
Share consolidation	(iii)	**–**	**–**	(700,000)	(70,000)
Issuance of new shares	(iii)	**–**	**–**	560,000	70,000
Issuance of new shares for placing and public offering	(iv)	**–**	**–**	240,000	30,000
		800,000	**100,000**	800,000	100,000

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

(i) Share capital as at 1 January 2004

Share capital in the consolidated balance sheet as at 1 January 2004 represents the authorised and issued share capital of China Force Oils and Grains Industrial Limited ("China Force (BVI)") comprising 120,000,000 shares of US$0.1 each.

26 CAPITAL AND RESERVES (CONTINUED)

(c) Share capital (continued)

Authorised and issued share capital (continued)

(ii) Capital elimination

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.

(iii) Share consolidation

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.

(iv) Placing and public offering

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.

26 CAPITAL AND RESERVES (CONTINUED)

(d) Nature and purpose of reserves

(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) 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 operations outside Hong Kong.

26 CAPITAL AND RESERVES (CONTINUED)

(d) Nature and purpose of reserves (continued)

(v) Statutory reserves

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

(a) Statutory surplus reserve

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

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

(b) Enterprise development fund

Two of the subsidiaries in the PRC 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.

(e) Distributability of reserves

At 31 December 2005, the aggregate amount of the Group's reserves available for distribution to equity shareholders of the Company was $112,540,000 (2004 (restated): $487,510,000).

27 FINANCIAL INSTRUMENTS

Exposures to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices 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 generally required to settle the billing on presentation. Occasionally, credit terms up to one month from the date of billing may be granted to customers, depending on the credit worthiness of individual customers.

At the balance sheet date, the Group has certain concentration of credit risk as 30.1% (2004: 14.5%) and 62.1% (2004: 48.2%) of the total trade debtors was due from the Group's largest customer and the five largest customers respectively.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks to meet its liquidity requirements in the short and longer term. The Group has total committed bank facilities of $1,426,340,000 (2004: $959,730,000), of which $463,028,000 (2004: $305,670,000) are undrawn at 31 December 2005.

In March 2006, the Group refinanced short-term unsecured bank loans totalling approximately $28,846,000 at 31 December 2005 into long-term unsecured bank loans with final maturity in May 2007.

The directors have considered the future liquidity of the Group in view of its net current liabilities. The Group has actively discussed with its principal bankers in order to secure continual financial support. The directors are satisfied that the Group will be able to meet its financial obligations as they fall due and continual support will be provided by the Group's bankers to finance its future working capital and financial requirements.

27 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

Effective interest rates and repricing analysis

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

The Group

	2005				2004			
	Effective interest rate %	**Total '000**	**1 year or less '000**	**1 - 2 years '000**	Effective interest rate %	Total '000	1 year or less '000	1 – 2 years '000
Repricing dates for assets/ (liabilities) which reprice before maturity								
Cash and cash equivalents	**0.82**	**118,156**	**118,156**	**-**	0.58	436,689	436,689	–
Bank loans	**5.43**	**(963,312)**	**(963,312)**	**-**	5.20	(654,063)	(597,459)	(56,604)

The Company

	2005				2004			
	Effective interest rate %	**Total '000**	**1 year or less '000**	**1 - 2 years '000**	Effective interest rate %	Total '000	1 year or less '000	1 – 2 years '000
Repricing dates for assets/ (liabilities) which reprice before maturity								
Cash and cash equivalents	**2.35**	**475**	**475**	**-**	0.12	34,157	34,157	–

27 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Commodity price risk

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

To protect the Group from the impact of price fluctuations in oil commodities, commodity derivative contracts are entered into with independent futures trading agents. Changes in the fair value of commodity derivative contracts that economically hedge the price fluctuations in oil commodities and for which no hedge accounting is applied are recognised in profit or loss. Further details of these commodity derivative contracts are set out in note 20 to the financial statements.

(e) Foreign currency risk

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

(f) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2005.

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

(i) Commodity derivatives

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

(ii) Bank loans

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

28 COMMITMENTS

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

	2005	2004
	'000	'000
Contracted for	**117,194**	59,076

(b) At 31 December 2005, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2005	2004
	'000	'000
Within 1 year	**7,060**	5,808
After 1 year but within 5 years	**11,988**	12,721
After 5 years	**12,970**	16,447
	32,018	34,976

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 13. Apart from these leases, the Group is the lessee in respect of a number of properties and items of machinery and equipment for an initial period of one to thirty years. None of the leases includes contingent rentals.

(c) At 31 December 2005, the Company had commitments to contribute capital of $396,474,000 (2004: $139,035,000) (equivalent to US$50,830,000 (2004: US$17,825,000)) for setting up nine (2004: four) wholly owned subsidiaries in the PRC.

29 CONTINGENT LIABILITIES

(a) The Group had contingent liabilities as follows:

	2005	2004
	'000	'000
Bills discounted with banks	**–**	192,118

As a result of the change in accounting policy as set out in note 3(f)(ii), bills discounted with banks with recourse totalling $25,571,000 as at 31 December 2005 were not derecognised from the balance sheet, and the related bills receivable and advances from banks were reported under "bills receivable" and "secured bank loans" respectively. The comparatives have not been restated.

(b) The Company has given guarantees to banks to secure facilities of $588,900,000 (2004: $471,900,000) granted to subsidiaries, of which $137,575,000 (2004: $239,002,000) was utilised at 31 December 2005.

30 LITIGATION

At 31 December 2005, the Group had an outstanding litigation against a PRC third party for an undelivered production equipment amounted to RMB755,000. As at 12 January 2006, a subsidiary of the Group filed litigation to enforce delivery of the production equipment.

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.

31 MATERIAL 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
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.)
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 5)
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 5)

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) Ms Lim Yu is the sister of Mr Lim Wa.

31 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

(a) Recurring

	2005 '000	2004 '000
Storage usage fees paid to:		
Jiangsu Zheng Feng Oils and Fats Storage Co., Ltd.	**2,700**	2,698

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

	2005 '000	2004 '000
Sales of goods to (note 1):		
Shanghai Chong Sheng Trading Co., Ltd.	–	29,251
Purchase of goods from (note 1):		
Shanghai Su Sheng Trading Co., Ltd.	–	15,363
Shanghai Chong Sheng Trading Co., Ltd.	–	121,658
Beijing Wan De Lian Trading Co., Ltd.	–	51,127
Purchase of office equipment from (note 2):		
Beijing China Force Baifu Investment Co., Ltd	–	429
Purchase of motor vehicles from (note 2):		
Beijing China Force Baifu Investment Co., Ltd	–	511
Purchase of office premises from (note 3):		
Beijing China Force Baifu Investment Co., Ltd	–	2,126

31 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Non-recurring (continued)

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) Office equipment and motor vehicles were purchased from Beijing China Force Baifu Investment Co., Ltd at market price; and

(3) Pursuant to the Real Property Transfer Agreement dated 20 March 2004, the Group acquired an office unit (the "Office") from Beijing China Force Baifu Investment Co., Ltd in consideration of $11,597,000 (RMB12,060,000). The Office 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 acquisition is still in progress and property ownership has not been passed to Beijing China Force Baifu Investment Co., Ltd. then to the Group by the property developer as at the balance sheet date. The remaining balance of $9,430,000 (RMB9,807,000) is included as capital commitments of the Group. The Office is currently occupied by China Force (Beijing).

The directors consider that the Group would likely be able to obtain the property ownership certificate of the Office in the foreseeable future. In the event that the sale and purchase agreement in respect of the Office was repudiated by the property developer, China Force (Beijing) would be required to move out and might have to pay the property developer an aggregate rental of approximately $2,528,000 for the period from 20 March 2004 to 31 December 2005. Based on the opinion from the Group's external legal counsel, the directors are of the opinion that there would not be other significant liabilities other than the above.

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.

(c) Amount due to a related company

	2005	2004
	'000	'000
Jiangsu Zheng Feng Oils and Fats Storage Co., Ltd.	**–**	1,148

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

31 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(d) 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:

	2005 '000	2004 '000
Short-term employee benefits	**9,938**	6,230
Post-employment benefits	**146**	120
Equity compensation benefits	**5,040**	1,227
	15,124	7,577

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

32 POST BALANCE SHEET EVENTS

(a) Reduction of interest in a subsidiary company

Pursuant to a subscription agreement ("Subscription Agreement") dated 24 March 2006 between an investor (the "Investor"), China Force (BVI) and China Force (Dongguan), the Investor has agreed subject to certain conditions to invest in China Force (Dongguan) by subscribing to a proposed increase in the registered capital of China Force (Dongguan) from USD13.76 million (equivalent to approximately RMB111.59 million) to USD20.82 million (equivalent to approximately RMB168.85 million). Completion of the transaction would be conditional upon the approval of the relevant PRC authorities and will take place no later than 30 June 2006 subject to extension by the Investor. Following completion of the Subscription Agreement, the Group's percentage shareholding in China Force (Dongguan) will reduce from 100% to 51% and become a non-wholly owned subsidiary of the Company.

32 POST BALANCE SHEET EVENTS (CONTINUED)

(b) Proposed reduction of interests in subsidiaries

On 24 March 2006, the Company and a prospective investor (the "Prospective Investor") entered into a letter of intent (the "Letter of Intent") in relation to a proposed investment by the Prospective Investor in China Force (Zhenjiang), China Force Protein Biotechnology (Zhenjiang) Co., Ltd. ("China Force (Protein)") and China Force Modern Storage & Transportation (Zhenjiang) Co., Ltd. ("China Force (Modern Storage)") as follows:

(1) the Prospective Investor may acquire a 75% equity interest in each of China Force (Modern Storage) and China Force (Protein) (with the intent of Company will hold the remaining 25% equity interest in each of China Force (Modern Storage) and China Force (Protein);

(2) China Force (Zhenjiang) may increase its registered capital and that the Prospective Investor may subscribe for the increased registered capital so that, following completion of the subscription, China Force (Zhenjiang) may be held by the Company and the Prospective Investor as to 51% and 49% respectively; and

(3) the Company may undertake that each of China Force (Zhenjiang), China Force (Protein), China Force (Modern Storage) and China Force (Dongguan) will not have any undisclosed liabilities, contingent liabilities or guarantees.

Pursuant to the Subscription Agreement, China Force (Dongguan) and China Force (BVI) undertake that in the event that transactions contemplated under the Letter of Intent do not take place within six months from 24 March 2006, the Investor may, if the whole or any part of the investment shall have been made, request a return of the investment made to China Force (Dongguan). In such event, China Force (Dongguan) will cease to be a sino-foreign joint venture company in the PRC and that the Company and China Force (BVI) will take all necessary measures to convert China Force (Dongguan) into a wholly-foreign owned enterprise in the PRC and a wholly-owned subsidiary of the Company.

(c) Refinance of short-term bank loans

In March 2006, the Group refinanced short-term unsecured bank loans totalling approximately $28,846,000 at 31 December 2005 into long-term unsecured bank loans with final maturity in May 2007.

33 COMPARATIVE FIGURES

Certain comparative figures have been adjusted or re-classified as a result of the changes in accounting policies. Further details are disclosed in note 3.

34 PARENT AND ULTIMATE HOLDING COMPANY

At 31 December 2005, the directors consider the 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.

35 ACCOUNTING ESTIMATES AND JUDGEMENTS

The methods, 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 25 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.

(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.

35 ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Impairments

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

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

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

(d) Commodity derivative contracts

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

(e) Recognition of deferred tax assets

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

(Expressed in Hong Kong dollars)

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING YEAR ENDED 31 DECEMBER 2005

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the accounting year ended 31 December 2005 and which have not been adopted in these financial statements:

		Effective for accounting periods beginning on or after
HKFRS 6	Exploration for and evaluation of mineral resources	1 January 2006
HK(IFRIC) 4	Determining whether an arrangement contains a lease	1 January 2006
HK(IFRIC) 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds	1 January 2006
HK(IFRIC) 6	Liabilities arising from participating in a specific market – Waste electrical and electronic equipment	1 December 2005
Amendments to HKAS 19	Employee benefits – Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2006
Amendments to HKAS 21	The effects of changes in foreign exchange rate – Net investment in a foreign operation	1 January 2006
Amendments to HKAS 39	Financial instruments:	
	Recognition and measurement:	
	– Cash flow hedge accounting of forecast intragroup transactions	1 January 2006
	– The fair value option	1 January 2006
	– Financial guarantee contracts	1 January 2006

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING YEAR ENDED 31 DECEMBER 2005 (CONTINUED)

		Effective for accounting periods beginning on or after
Amendments, as a consequence of the Hong Kong Companies (Amendment) Ordinance 2005, to:		
– HKAS 1	Presentation of financial statements	1 January 2006
– HKAS 27	Consolidated and separate financial statements	1 January 2006
– HKFRS 3	Business combinations	1 January 2006
HK(IFRIC) 7	Applying the restatement approach under HKAS 29 Financial Reporting in hyperinflationary economies	1 March 2006
HKFRS 7	Financial instruments: disclosures	1 January 2007
Amendments to HKAS 1	Presentation of financial statements: capital disclosures	1 January 2007

In addition, the Hong Kong Companies (Amendment) Ordinance 2005 came into effect on 1 December 2005 and would be first applicable to the Group's financial statements for the period beginning 1 January 2006.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of HKFRS 6, HK(IFRIC) 5, HK(IFRIC) 6 and Amendments to HKAS 19 are not applicable to any of the Group's operations and the adoption of the rest of them is unlikely to have a significant impact on the Group's results of operations and financial position.