CHINA FORCE OIL & GRAINS INDUSTRIAL HOLDINGS CO., LTD.

中盛糧油工業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code：1194)

2007
Annual Report

CONTENTS

CORPORATE PROFILE

CHINA FORCE OIL & GRAINS INDUSTRIAL HOLDINGS CO., LTD.（中盛糧油工業控股有限公司）(the "Company") and its subsidiaries (together, the "Group") has been founded by Mr. LIM Wa and Mr. LAM Cham in 1999. Ever since the founding, the Group has endeavored to increase production capacity and expand the range of services offered so as to meet the growing needs of customers.

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

Upon completion of business reorganization, the Group is now principally engaged in production and sale of small pack edible oil and trading of edible oil and related products. The Group has been principally engaged in the refining, fractionation, sale and trading of edible oil products in the China. As disclosed in our 2006 annual report and past announcements, due to operational risks caused by volatility in raw material prices in food and oil industry, the Group reviewed the situation and successfully sold such refining assets with high cost, high risk and high capital concentration as well as other unproductive assets. As the result, it reduced our liability burden and interest costs, minimized scale of the Group and cut back management cost. The Group strived to develop and consolidate our pack oil business through timely financing from the capital market and other financing sources.

FINANCIAL HIGHLIGHTS

OPERATING FIGURES

For the financial years ended 31 December	**2007** **HK$'000**	2006 HK$'000
Turnover	**150,729**	329,320
Gross profit	**12,795**	8,422
Profit/(loss) for the year	**135,758**	(323,384)
Earnings/(loss) per share	**17.0 cents**	(40.4) cents

SALES VOLUME, AVERAGE SELLING PRICE AND AVERAGE GROSS (LOSS)/PROFIT PER TONNE

	2007	2006
Sales volume	**('000 tonnes)**	('000 tonnes)
– Small pack oil	**6**	34
Average selling price per tonne	**(HK$)**	(HK$)
– Small pack oil	**8,892**	6,157
Average gross (loss)/profit per tonne	**(HK$)**	(HK$)
– Small pack oil	**(307)**	198

FINANCIAL HIGHLIGHTS

CONSOLIDATED BALANCE SHEET

As at 31 December	**2007** **HK$'000**	2006 HK$'000
Total assets	**206,521**	715,823
Non-current assets	**139,988**	116,764
Current assets	**66,533**	599,059
Total liabilities	**141,746**	773,611
Current liabilities	**113,571**	773,611
Net current liabilities	**(47,038)**	(174,552)
Net assets/(liabilities)	**64,775**	(57,788)

FINANCIAL INDICATORS

For the financial year ended 31 December	**2007**	2006
Gross (loss)/profit per tonne		
– Small pack oil (HK$)	**(307)**	198
Average inventory turnover (days)	**33.2**	16.0
Average trade receivable turnover (days)	**46.6**	33.7
Average trade payable turnover (days)	**62.8**	135.0
Net gearing ratio#	**76.3%**	(355.1%)

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

CHAIRMAN'S STATEMENT

2007 was a year of continuing consolidation for the businesses of the Group. In view of the continuous volatility of the international and domestic oil products market, as well as the practical circumstances of the Group, we successfully disposed of its subsidiaries, China Force Oils & Grains Industrial (Xiamen) Limited, China Force Oils & Grains (Tianjin) Industry Co., Ltd, China Force Protein Biotechnology (Zhenjiang) Co., Ltd., China Force Modern Storage & Transportation (Zhenjiang) Co., Ltd and certain edible oils refinery, fractionation, distribution and related assets in China Force Oils & Grains Industrial (Zhenjiang) Co., Ltd to certain independent third parties in 2007. With the disposal of refining assets with high cost, high risk and high capital concentration, thus cut back management costs liability and interest cost that enable the Group to concentrate human resources and funds in the development of small pack oil product businesses.

The Group succeeded in the consolidation of its businesses in 2007, reduced management costs, continued to develop small pack edible oil products in the northern and central parts of China, gained valuable market experiences, and laid a solid foundation for future business development of the Group.

Looking forward into 2008, the Group will continue to develop small pack edible oil products, seek opportunities to strengthen business competitiveness, reform the business model and marketing strategies. We will endeavour to a further expand our market share in pack oil products in the China and the recognition of our brand. Through continuous enhancement of product quality and development of the retail market, we will reduce various costs and tighten expenses on a consolidated basis with an aim to become a premier brand in the market. The Company will, at the same time, seek promising return for its shareholders.

APPRECIATION

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

Lim Wa
Chairman

Hong Kong, 25 April 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Group results

For the financial year ended 31 December 2007, the Group's turnover arising from continuing operations was approximately HK$150,729,000 (2006: HK$329,320,000). Total profit from continuing and discontinued operations attributable to shareholders (the "**Shareholders**") of the Company was approximately HK$135,758,000 (2006: HK$323,384,000 loss attributable to shareholders). Earnings per Share amounted to HK17.0 cents (2006: Loss per Share HK40.4 cents).

Selling and distribution expenses

During the financial year, the Group's selling and distribution costs amounted to approximately HK$11,519,000 (2006: HK$17,971,000), representing a decrease of approximately 35.9% over last year. The decrease was resulted from the sales of small pack oil decreased by 72.9% to approximately HK$57,294,000 (2006: HK$211,587,000) during the year of consolidation for the businesses of the Group.

Administrative expenses

The Group's administrative expenses decreased to approximately HK$24,184,000 (2006: HK$39,132,000), representing a decrease of 38.2% as compared with the last year. This was mainly due to tighter control by the management over the budget of administrative expenses, including staff cut and layoff. At the same time, upon the completion of the share transfer and very substantial disposal in August 2007, the administrative expenses were reduced. The administrative expenses for the financial year ended 31 December 2007 included an amount of approximately HK3,922,000 which was the fair value of the share options granted to employees recognized as an expense during the year (2006: HK$6,607,000).

Finance costs

The Group's finance costs for the financial year amounted to approximately HK$2,907,000 (2006: HK$4,453,000), mainly comprising interest expenses on bank loans and discounting charges. The decrease in finance costs was mainly due to the decrease of bank loans.

Liquidity and financial resources

As at 31 December 2007, the Group's net assets amounted to HK$64,775,000 (2006: HK$57,788,000 net liabilities). As at 31 December 2007, the Group's cash and bank deposits amounted to HK$18,968,000 (2006: HK$9,769,000). The Group's net current liabilities were approximately HK$47,038,000 (2006: HK$174,552,000).

As at 31 December 2007, the Group had total available banking facilities amounted to HK$40,193,000 which has been fully utilized. As such, the Group had no remaining available banking facilities as at that date.

MANAGEMENT'S DISCUSSION AND ANALYSIS

In 2007, the Group disposed of its subsidiaries, namely China Force (Tianjin), China Force Protein, China Force Modern Storage and China Force (Xiamen) and certain edible oils refinery, fractionation, distribution and related assets in China Force (Zhenjiang) with aggregate gain on disposal of HK$80,420,000 and HK$28,714,000 respectively. Moreover, operating costs, consolidated management fees and interest costs were saved in the period from September to December, thus resulted in less debt burden of the Group in the second half of 2007, and eased cash flow pressure on the Group

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

Capital structure

The share capital of the Company remained unchanged during the year. As at 31 December 2007, the Group's net assets was approximately HK$64,775,000 (2006: HK$57,788,000 net liabilities), and the total net debts and long-term payable were HK$49,400,000 (2006: HK$205,182,000). Based on the above, the Group's net gearing ratio was approximately 76.3% (2006: (355.1)%).

OPERATIONAL REVIEW

Palm oil business

In 2007, the palm oil business of the Group achieved HK$88,504,000 in sales, with a gross profit of HK$14,861,000 and a gross profit per tonne was HK$1,436.

Small pack oil business

In 2007, sales of small pack oil business of the Group amounted to approximately HK$57,294,000 (2006: HK$211,587,000). The decrease in sales was mainly attributable to the Group's continuous consolidation of the business. With regard to profitability, the decrease in sales with unchanged fixed expenses, resulted a gross loss of our small pack oil business HK$1,976,000 (2006: HK$6,816,000 gross profit and a gross loss per tonne of HK$307 (2006: HK$198 gross profit per tonne). The Group adopted suitable selling and marketing strategy, researched and developed different kinds of products to fulfill the different requirements with emphasis on healthy edible oil, which were well received by the market. The strategy of developing small pack oil business is important to the future development of the Group.

PROSPECTS

Fierce competition in the domestic edible oil market in China caused negative impacts on costs. To improve the situation the Group successfully sold the refining business sector with weakening profitability. As a result, the sale thoroughly relieved the Group from debt and financing cost pressures, succeeded in the strategic transformation of the Group, and formed a base for the healthy development of the capital structure of the Group. In the foreseeable future, the Group will strive to consolidate and develop pack oil business, and launch new brands and products lines at the right time so as to meet demands from different markets.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

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

Under Code A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr Lim Wa is the chairman and the chief executive officer of the Company. The Board considers that the intensive experience of Mr Lim Wa in the edible oil industry is instrumental to the Group's operation and that it may not be in the best interest of the Group to separate the roles of the chairman and the chief executive officer. Nonetheless, the Group will review the relevant code provision from time to time and may comply with it if the Directors consider it appropriate to do so.

Other than the deviations mentioned above, the Board is of the view that the Company has complied with the code provisions of the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

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

The Company has made specific enquiry of all Directors of any non-compliance with the Model Code during the financial year ended 31 December 2007, and they have all confirmed their full compliance with the required standard as set out in the Model Code.

THE BOARD

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

Composition

As at 31 December 2007, the Board consists of five Directors, with two executive Directors, namely Mr Lim Wa and Mr Lam Cham, and three independent non-executive Directors, namely Professor Xiao Zhuo Ji, Dr Wong Lung Tak, Patrick, J.P. and Mr Chan Kin Sang. Mr Lim Wa is the Chairman and Chief Executive Officer of the Company. Mr. Li Xiao Ning resigned as Executive Director with effect from 4 September 2007. Mr. Ding Ming Shan resigned as deputy chief Executive and Executive Director with effect from 9 November 2007.

The Company has appointed a sufficient number of independent non-executive Directors with suitable professional qualifications, such as expertise in accounting and financial management, in accordance with the requirements of the Listing Rules. The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules.

In 2007, the Company held five Board meetings, with an average participation rate of 91%. The attendance of individual Directors at Board meetings during the year was:

Name of Directors	Meetings attended/held
Mr Lim Wa	5/5
Mr Lam Cham	5/5
Mr Li Xiao Ning (Resigned on 4 September 2007)	3/3
Mr Ding Ming Shan (Resigned 9 November 2007)	3/4
Professor Xiao Zhuo Ji	3/5
Dr Wong Lung Tak, Patrick, J.P.	5/5
Mr Chan Kin Sang	5/5

Details of the meetings are recorded by a designated officer.

The total remuneration of the Directors in 2007 amounted to $4,856,000. Independent non-executive Directors are only entitled to receive director's fees but not other salaries or remuneration. The remuneration (including share based payments) of each Director for the year was as follows:

Name of Directors	HK$
Mr Lim Wa	1,212,000
Mr Lam Cham	1,601,000
Mr Li Xiao Ning (Resigned on 4 September 2007)	539,000
Mr Ding Ming Shan (Resigned 9 November 2007)	951,000
Professor Xiao Zhuo Ji	237,000
Dr Wong Lung Tak, Patrick, J.P.	158,000
Mr Chan Kin Sang	158,000

For the financial year ended 31 December 2007, no share options had been granted to any of the Directors under the share option scheme adopted by the Company on 18 September 2004.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

Audit committee

The Group has established an audit committee (the "**Audit Committee**") under the Board. The Audit Committee's duties are mainly to review the Company's financial reports, consider the appointment of independent auditors and approve audit and audit-related services, and supervise the Company's internal financial reporting procedures and management policies.

The Audit Committee comprised three independent non-executive Directors, namely Professor Xiao Zhuo Ji, Dr Wong Lung Tak, Patrick, J.P. and Mr Chan Kin Sang. Dr Wong Lung Tak, Patrick, J.P. is the Chairman of the Audit Committee.

At least two meetings of the Audit Committee will be convened annually to review the accounting policies, internal control and the relevant financial and accounting issues, so as to ensure fairness and accuracy of the Company's financial statements and other relevant information. In 2007, the Audit Committee held three meetings with an average participation rate of 100%. All members of the Audit Committee attended all meetings during the year.

Remuneration committee

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

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

During the year ended 31 December 2007, one Remuneration Committee meeting was held and all members of the Remuneration Committee attended such meeting.

NOMINATION PROCEDURES AND CRITERIA

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

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

The statement of the external auditors of the Company, Messrs KPMG, with regard to their reporting responsibilities on the Company's financial statements is set out in the Independent Auditor's Report on pages 21 to 22.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, save as disclosed in note 1(b) to the financial statements, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

AUDITORS' REMUNERATION

For the year ended 31 December 2007, the amounts billed by its external auditors, KPMG in respect of services provided to the Company were as follows:

	2007 **HK$'000**
Audit and review services	
– annual audit	**2,340**
– accountants' report for very substantial disposals	**1,160**
– interim review	**315**
	3,815
Tax compliance	**28**
	3,843

INTERNAL CONTROL

The Board has overall responsibilities to maintain a sound and effective internal control system of the Group to safeguard the shareholders' investment and the Company's assets.

Through the Audit Committee of the company, the Board has conducted an annual review of the effectiveness of internal control system of the Group. The review covered all material controls including financial, operational and compliance controls and risk management functions.

The Group has established guidelines and procedures for the approval and control of expenditure. Operating expenditures and capital expenditures are subject to the overall budget control and approval process prior to commitment.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. LIM Wa（廉華）, aged 47, is the chairman, chief executive officer and an executive Director. Mr. LIM is one of the founders. Mr. LIM obtained a bachelor's degree in economics from Remin University of China（中國人民大學）. Mr. LIM has over 16 years of experience in the PRC edible oil industry. Prior to founding the Group in 1999, Mr. LIM had worked at China Foreign Trading Company Limited（中國商業對外貿易總公司）for around 10 years being responsible for the trading of oil, oilseeds and meals. Mr. LIM is responsible for the Group's overall strategic development, planning and policy making.

Mr. LAM Cham（林杉）, aged 49, is the deputy chief executive officer and executive Director. Mr. LAM is one of the founders. Prior to founding the Group with Mr. LIM in 1999, Mr. LAM had worked in two State-owned companies in China engaged in international trading and domestic trading of oil, oilseeds and meals for more than 20 years being responsible for sales and distribution. Mr. LAM is responsible for the Group's overall strategic development and supervising the Group's general operations.

Independent non-executive Directors

Professor XIAO Zhuo Ji（蕭灼基）, aged 73, is the Professor of the Faculty of Economics of Peking University, China. Professor XIAO is also a general member of the National Committee, Chinese People's Political Consultative Conference. Professor XIAO is an economist in China and has over 10 years of experience in contributing to the liberalisation of the Chinese capital markets. Professor XIAO was re-appointed as an independent non-executive Director on 19 June 2007.

Dr. WONG Lung Tak, Patrick (黃龍德), JP. aged 60 was appointed as independent non–executive Director on 19 June 2004. Dr. WONG is a practicing certified public accountant in Hong Kong and the managing director of Wong Lam Leung & Kwok CPA Limited. He has over 30 years' experience in the accountancy profession. Dr. WONG was accorded Doctor of Philosophy in Business in 2000, was awarded a Badge of Honour by the Queen of England in 1993, and was appointed a Justice of the Peace in 1998. He was appointed Adjunct Professor, School of Accounting and Finance, The Hong Kong Polytechnic University in 2002. Dr. WONG participates in many types of community services, holding posts in various organizations and committees in government and voluntary agencies. Dr. WONG is currently an independent non-executive director of Water Oasis Group Limited and CC Land Holdings Limited, the shares of both companies are being listed on the Stock Exchange. Dr. WONG has been an independent non-executive director of Anex International Holdings Limited (presently named Magnesium Resources Corporation of China Limited, a listed company in Hong Kong) from 21 June 1991 to 31 October 2005.

Mr. CHAN Kin Sang (陳健生), aged 56, was appointed independent non-executive Director on 19 June 2004. Mr. CHAN is currently the sole proprietor of Messrs. Peter K.S. Chan & Co., Solicitors and Notaries. Mr. CHAN has been a practising solicitor in Hong Kong since 1982. Mr. CHAN graduated from the University of Hong Kong with a bachelor's degree in laws in 1979. Mr. CHAN was admitted as a notary public in 1997 and as a China-appointed attesting officer in 2000. Mr. CHAN is currently a Fellow of the Hong Kong Institute of Directors, Mr. CHAN is currently an independent non-executive director of each of People's Food Holdings Limited, Sunray Holdings Limited and Luxking Group Holdings Limited and non-executive director of Pan Hong Property Group Limited, the shares of all these companies are listed on Singapore Stock Exchange Limited. Mr. CHAN is also an independent non-executive director of each of Dynamic Energy Holdings Limited, Goldmond Holdings Limited, New Smart Energy Group Limited and Plus Holdings Limited (provisional liquidators appointed), the shares of all of which are listed on the Stock Exchange. He was formerly an independent non-executive director of each of LeRoi Holdings Limited and China Sciences Conservational Power Limited, the shares of all of which are listed on the Stock Exchange, and of CHT (Holdings) Ltd. Whose shares are listed on Singapore Stock Exchange Limited.

SENIOR MANAGEMENT

Mr. SUN Yun Fei (孫雲飛), aged 36, is the general manager of China Force (Zhenjiang). Mr. SUN graduated from East China Shipbuilding Institute (華東船舶工業學院), the PRC and also obtained a Master of Business Administration degree from Nanjing University of Science and Technology (南京理工大學), the PRC. Prior to joining the Group in 2001, Mr. SUN had worked for a PRC food company. Mr. SUN has over five years of experience in the management and operation of food and related companies. Mr. SUN is responsible for the day-to-day management of production, logistics, sales and administration of China Force (Zhenjiang).

Mr. Zhu Bin (朱彬), 39. Graduated from Jiangsu University in China, Mr. Zhu is a qualified accountant in China. Before joining the Group in 2001, Mr. Zhu worked for a Chinese food company. He has over ten years' management experience in food and related companies. Mr. Zhu is responsible for the formulation of accounting policies of the Group.

Ms. LAM Hiu Lai (林曉麗), aged 37, is the financial controller, company secretary and qualified accountant of the Group. Ms. LAM obtained a diploma with honours in accounting from the Shue Yan University and is currently studying a Master of Professional Accounting in the Hong Kong Polytechnic University. Prior to joining the Group in 2002, Ms. LAM had worked at a leading accounting firm for seven years and held the position of accounting manager in the group for four years. Ms. Lam has over 10 years of financial management and accounting experience. Ms. Lam is responsible for the Group's general financial management and accounting. Ms. Lam is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

REPORT OF THE DIRECTORS

The Directors hereby submitting the annual report and the audited financial statements for the financial year ended 31 December 2007.

PRINCIPAL BUSINESS ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set forth in note 17 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the financial year ended 31 December 2007 are set forth in the consolidated income statement on page 23.

The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2007.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 96.

RESERVES

Details of movement in the reserves of the Group and the Company during the year are set out in note 27 to the financial statements.

FIXED ASSETS

Particulars of the movements during the financial year in fixed assets of the Group are set forth in note 14 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 27 to the financial statements.

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive Directors:–

Mr. LIM Wa
Mr. LAM Cham
Mr. LI Xiao Ning (Resigned on 4 September 2007)
Mr. DING Ming Shan (Resigned on 9 November 2007)

Independent non-executive Directors:–

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

In accordance with article 87(1) of the Articles, Dr. Wong Lung Tak, Patrick, J.P. and Mr. Chan Kin Sang will retire, and being eligible offer themselves for re-election at the forthcoming annual general meeting of the Company.

The term of office of each independent non-executive Director is the period up to his retirement by rotation in accordance with the Articles.

Each of the executive Directors entered into a service contract with the Company for a fixed term of three years commencing from 19 June 2007. There is no specific clause in all the service contracts providing for the amount of compensation in case of early termination.

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

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SHARES

As at 31 December 2007, the interests of the Directors and chief executives in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange were as follows:–

Long positions in the Shares

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

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

All the interests stated above represented long positions. As at 31 December 2007, the Directors and chief executives had no short positions recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Save as disclosed above, as at 31 December 2007, none of the Directors or chief executive of the Company nor their associates, had any interest in long position or short position in the shares, underlying shares or debentures of the Company or its associated corporations which they are taken or deemed to have under such provision of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which required, pursuant to the Model Code.

SHARE OPTIONS

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

The purpose of the Share Option Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to any executive or non-executive directors including independent non-executive directors or any employees (whether fulltime or part-time) of any member of the Group (the "**Participants**") and for such other purposes as the Board may approve from time to time.

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

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of Shares in issue on 12 October 2004, unless the Company obtains a fresh approval from the Shareholders.

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

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

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

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

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

As at 31 December 2007, no option has been granted under the Share Option Scheme.

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

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

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

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

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

REPORT OF THE DIRECTORS

As at 31 December 2007, the number of Shares in respect of which options had been granted and remained outstanding under the Pre-IPO Share Option Scheme was 52,830,000, representing 6.6% of the Shares in issue at that date and approximately 6.19% of the enlarged number of shares in issue upon full exercise of the options granted under the Pre-IPO Share Option Scheme.

Details of the outstanding share options as at 31 December 2007 which were granted under the Pre-IPO Share Option Scheme are as follows:–

		Number of share options			
	Date of grant	Outstanding at 31 December 2006	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2007
Mr LAM Cham	18 September 2004	6,000,000	–	6,000,000	–
Mr DING Ming Shan	18 September 2004	3,200,000	–	–	3,200,000
Mr LI Xiao Ning	18 September 2004	3,200,000	–	–	3,200,000
Other senior management staff and employees	18 September 2004	49,450,000	–	3,020,000	46,430,000
Total		61,850,000	–	9,020,000	52,830,000

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

The share options granted are recognised in the financial statements. The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at the grant date using the binomial lattice model after taking into accounts the terms and conditions upon which the options were granted. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the binominal lattice model.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2007, as far as known to the Directors, the following persons (other than the Directors or chief executives of the Company) who had 5% or more interests in the shares or underlying shares in respect of equity derivatives of the Company that would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:–

Long position in the Shares

Name of shareholders	Nature of interest and capacity	Approximate total number of shares	Percentage held of interest
Aswell Group	Corporate (Note)	468,200,000	58.53%

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

All the interests stated above represented long positions. As at 31 December 2007, the substantial Shareholders had no short positions recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance and has complied with the CG Code as set out in Appendix 14 to the Listing Rules except with deviations from the code provisions A.2.1, details of which and other further information on the Company's corporate governance practices are set out in the Corporate Governance Report on pages 8 to 11.

COMPETING BUSINESS INTERESTS OF DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF SHARES

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

PRE-EMPTIVE RIGHTS

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

REPORT OF THE DIRECTORS

EMPLOYEES

As at 31 December 2007, the total number of employees of the Group was approximately 96. The emolument policy of the Group is to ensure that the remuneration packages of its employees are competitive according to market trends and its employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system.

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

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

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

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

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases
– the largest supplier 41.8%
– five largest suppliers combined 87.9%

Sales
– the largest customer 33.7%
– five largest customers combined 65.3%

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

SUFFICIENCY OF PUBLIC FLOAT

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

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 36 to the financial statements.

AUDITORS

The financial statements have been audited by KPMG who retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting. There was no change in Auditors in any of the preceding three years.

On behalf of the Board
LIM Wa
Chairman

25 April 2008

INDEPENDENT AUDITOR'S REPORT

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

We have audited the consolidated financial statements of China Force Oil & Grains Industrial Holdings Co., Ltd. (the "Company") set out on pages 23 to 95, which comprise the consolidated and company balance sheets as at 31 December 2007, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1(b) to the financial statements which indicates that the Group incurred a consolidated net loss from continuing operations attributable to the equity holders of the Company of approximately HK$18,830,000 for the year ended 31 December 2007 and had consolidated net current liabilities of approximately HK$47,038,000 as at 31 December 2007. In addition, the Group defaulted on the repayments of certain bank loans since November 2006 and breached a covenant of one of the banking facilities during the year ended 31 December 2007. The defaulted bank loans were fully repaid subsequent to the completion of a share transfer agreement and a disposal master agreement in August 2007. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the continual financial support from its principal bankers and the substantial shareholder in order to finance the Group's future working capital and financial requirements and the Group's ability to obtain new working capital from prospective investors and to generate adequate cash flows from its continuing operations in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to obtain such financial support and working capital. We consider that adequate disclosures have been made.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

25 April 2008

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2007 (Expressed in Hong Kong dollars)

	Note	**2007** **'000**	2006 '000
Turnover	3	**150,729**	329,320
Cost of sales		**(137,934)**	(320,898)
Gross profit		**12,795**	8,422
Other revenue	4	**5,122**	2,168
Other net income	4	**1,863**	282
Selling and distribution costs		**(11,519)**	(17,971)
Administrative expenses		**(24,184)**	(39,132)
Loss from operations		**(15,923)**	(46,231)
Finance costs	5(a)	**(2,907)**	(4,453)
Loss before taxation	5	**(18,830)**	(50,684)
Income tax	6(a)	**–**	(4,375)
Loss for the year from continuing operations	10	**(18,830)**	(55,059)
Discontinued operations			
Profit/(loss) for the year from discontinued operations	9	**154,588**	(268,325)
Profit/(loss) for the year		**135,758**	(323,384)
(Loss)/earnings per share from	12		
– continuing operations		**(2.3) cents**	(6.9) cents
– discontinued operations		**19.3 cents**	(33.5) cents
– continuing and discontinued operations		**17.0 cents**	(40.4) cents

The notes on pages 30 to 95 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

at 31 December 2007 (Expressed in Hong Kong dollars)

	Note	2007 '000	2006 '000
Non-current assets			
Fixed assets	14		
– Property, plant and equipment		**70,713**	77,547
– Interests in leasehold land held for own use under operating leases		**22,197**	21,231
Deposits paid for acquisition of fixed assets		**32**	7,377
Construction in progress	15	**746**	10,609
Long-term receivable	19	**46,300**	–
		139,988	116,764
Current assets			
Inventories	18	**4,315**	20,813
Trade and other receivables, deposits and prepayments	19	**41,568**	63,677
Other deposits	21	**11**	10
Cash and cash equivalents	20	**18,968**	9,769
		64,862	94,269
Non-current assets and assets of a disposal group classified as held for sale	22	**1,671**	504,790
		66,533	599,059
Current liabilities			
Trade and other payables	23	**72,615**	85,457
Amounts due to related companies	32(d)	**763**	738
Bank loans	24	**40,193**	214,951
		113,571	301,146
Liabilities directly associated with assets of a disposal group classified as held for sale	22	**–**	472,465
		113,571	773,611
Net current liabilities		**(47,038)**	(174,552)
Total assets less current liabilities carried forward		**92,950**	(57,788)

CONSOLIDATED BALANCE SHEET

at 31 December 2007 (Expressed in Hong Kong dollars)

	Note	**2007** **'000**	2006 '000
Total assets less current liabilities brought forward		**92,950**	(57,788)
Non-current liabilities			
Long-term payable	23(b)	**17,164**	–
Loan from a related company	32(e)	**11,011**	–
		28,175	–
NET ASSETS/(LIABILITIES)		**64,775**	(57,788)
CAPITAL AND RESERVES	27		
Share capital		**100,000**	100,000
Reserves		**(35,225)**	(176,163)
Amounts recognised directly in equity relating to non-current assets and a disposal group classified as held for sale		**–**	18,375
TOTAL EQUITY		**64,775**	(57,788)

Approved and authorised for issue by the board of directors on 25 April 2008.

Lim Wa
Director

Lam Cham
Director

The notes on pages 30 to 95 form part of these financial statements.

BALANCE SHEET

at 31 December 2007 (Expressed in Hong Kong dollars)

	Note	2007 '000	2006 '000
Non-current assets			
Investments in subsidiaries	17	**–**	–
Current assets			
Amounts due from subsidiaries	19	**–**	52,318
Trade and other receivables, deposits and prepayments	19	**183**	145
Cash and cash equivalents	20	**89**	120
		272	52,583
Current liabilities			
Amounts due to subsidiaries	23	**13**	–
Accrued charges and other payables	23	**529**	713
		542	713
Net current (liabilities)/assets		**(270)**	51,870
NET (LIABILITIES)/ASSETS		**(270)**	51,870
CAPITAL AND RESERVES	27		
Share capital		**100,000**	100,000
Reserves		**(100,270)**	(48,130)
TOTAL EQUITY		**(270)**	51,870

Approved and authorised for issue by the board of directors on 25 April 2008.

Lim Wa
Director

Lam Cham
Director

The notes on pages 30 to 95 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2007 (Expressed in Hong Kong dollars)

	Note	**2007** **'000**	2006 '000
Total equity at 1 January		**(57,788)**	258,956
Net (expense)/income recognised directly in equity:			
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	27	**537**	3,177
Disposals of subsidiaries and non-current assets and a disposal group classified as held for sale	27	**(17,654)**	(3,144)
Net (expense)/income for the year recognised directly in equity		**(17,117)**	33
Net profit/(loss) for the year	27	**135,758**	(323,384)
Total recognised income and expense for the year attributable to equity shareholders of the Company		**118,641**	(323,351)
Movements in shareholders' equity arising from capital transactions with equity holders of the Company			
Equity settled share-based transactions	27	**3,922**	6,607
Total equity at 31 December		**64,775**	(57,788)

The notes on pages 30 to 95 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2007 (Expressed in Hong Kong dollars)

	Note	**2007**	2006
		'000	'000
Operating activities			
(Loss)/profit before taxation from			
– continuing operations		**(18,830)**	(50,684)
– discontinued operations	9(a)	**154,588**	(224,454)
		135,758	(275,138)
Adjustments for:			
– Amortisation of land lease premium for property held for own use		**538**	1,662
– Depreciation		**6,049**	37,783
– Finance costs		**19,334**	43,942
– Impairment losses for bad and doubtful debts		**6,527**	109,348
– Impairment losses on non-current assets		**–**	11,839
– Write-down of inventories		**900**	2,914
– Interest income		**(4,383)**	(3,142)
– (Gain)/loss on disposal of fixed assets		**(618)**	70
– Gain on assets of a disposal group classified as held for sale through disposal of assets		**(28,714)**	–
– Gain on disposal of non-current asset classified as held for sale		**(490)**	(1,349)
– (Gain)/loss on disposal of subsidiaries		**(80,420)**	13,349
– Equity-settled share-based payment expenses		**3,922**	6,607
– Foreign exchange loss		**836**	2,025
Operating profit/(loss) before changes in working capital		**59,239**	(50,090)
Increase in long-term receivable		**(46,300)**	–
Decrease in inventories		**15,598**	367,896
Decrease in trade and other receivables, deposits and prepayments		**22,656**	119,472
(Increase)/decrease in other deposits		**(1)**	2,012
Decrease in trade and other payables		**(10,656)**	(43,306)
Increase in amounts due to related companies		**25**	738
Increase in long-term payable		**17,164**	–
Increase in assets of a disposal group classified as held for sale		**(109,142)**	–
Decrease in liabilities directly associated with assets of a disposal group classified as held for sale		**(103,642)**	–
Cash (used in)/generated from operations		**(155,059)**	396,722
Tax refunded			
– PRC income tax refunded		**–**	1,565
Net cash (used in)/generated from operating activities		**(155,059)**	398,287

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2007 (Expressed in Hong Kong dollars)

	Note	2007 '000	2006 '000
Investing activities			
Payment for purchase of fixed assets		**(283)**	(1,856)
Proceeds from disposal of fixed assets		**2,934**	1,533
Proceeds from disposal of assets of disposal group classified as held for sale		**197,250**	–
Proceeds from disposal of non-current assets classified as held for sale		**4,360**	6,125
Proceeds from disposal of subsidiaries	29	**149,815**	19,321
Payment for construction in progress		**(4,987)**	(62,004)
Increase in deposits paid for acquisition of fixed assets		**–**	(30,632)
Interest received		**314**	3,142
Net cash generated from/(used in) investing activities		**349,403**	(64,371)
Financing activities			
Proceeds from bank loans		**104,132**	888,996
Repayment of bank loans		**(285,605)**	(1,333,484)
Proceeds from loan from a related company		**15,474**	–
Decrease in pledged bank deposits		**–**	54,322
Interest paid		**(19,334)**	(43,942)
Net cash used in financing activities		**(185,333)**	(434,108)
Net increase/(decrease) in cash and cash equivalents		**9,011**	(100,192)
Cash and cash equivalents at 1 January	20	**9,769**	118,156
Cash and cash equivalents of a disposal group classified as held for sale		**–**	(12,543)
Effect of foreign exchange rate changes		**188**	4,348
Cash and cash equivalents at 31 December	20	**18,968**	9,769

The notes on pages 30 to 95 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies

(a) Statement of compliance

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2007 comprise the Company and its subsidiaries.

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

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

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

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

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.

1 Significant accounting policies (continued)

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

In preparing the financial statements, the directors have considered the future liquidity of the Group in view of its net current liabilities position as at 31 December 2007. The Group incurred a consolidated net loss from continuing operations attributable to equity holders of the Company of approximately $18,830,000 for the year ended 31 December 2007 and had consolidated net current liabilities of approximately $47,083,000 as at 31 December 2007. In addition, the Group defaulted on the repayments of certain bank loans since November 2006 and breached a covenant of one of the banking facilities during the year ended 31 December 2007. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the directors are of the opinion that the Group will be able to finance its future working capital and financial requirements given that:

(i) the Group has been actively negotiating with its principal bankers to secure continual support. Following the maturity of short-term bank loans totalling $29,475,000 from February to April 2008, the Group renewed certain bank loans of $27,867,000 in April 2008 with the maturity dates from October 2008 to April 2009, and interest charged at rates ranging from 8.22% to 9.71% per annum (note 36(d));

(ii) the defaulted bank loans were fully repaid in August 2007 (note 24(c)); and the requirements of the covenant of the banking facilities breached during the year were subsequently fulfilled in March 2008 (note 24(a));

(iii) the Group has been actively discussing with prospective investors to obtain new working capital;

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

(v) based on a cash flow forecast prepared by the Group's management for the twelve months ending 31 December 2008, the Group will be able to generate adequate cash flows from its continuing operations.

Accordingly, the directors are of the opinion that it is appropriate to prepare the financial statements for the year ended 31 December 2007 on a going concern basis. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets as non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the financial statements.

(c) Subsidiaries

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

1 Significant accounting policies (continued)

(c) Subsidiaries (continued)

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

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

(d) Derivative financial instruments

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

(e) Property, plant and equipment

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

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

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

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

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

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

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

1 Significant accounting policies (continued)

(f) Construction in progress

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

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

(g) Leased assets

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

(i) Classification of assets leased to the Group

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

(ii) Operating lease charges

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

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

1 Significant accounting policies (continued)

(h) Impairment of assets

(i) Impairment of receivables

For trade and other current receivables and other financial assets carried at cost or amortised cost, the impairment loss is measured as the different between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

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

(ii) Impairment of other assets

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

– property, plant and equipment and construction in progress;

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

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

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

– Calculation of recoverable amount

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

1 Significant accounting policies (continued)

(h) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

(i) Inventories

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

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

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

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

(j) Trade and other receivables

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

1 Significant accounting policies (continued)

(k) Interest-bearing borrowings

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

(l) Trade and other payables

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

(m) Cash and cash equivalents

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

(n) Employee benefits

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

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

(ii) Share based payments

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

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

1 Significant accounting policies (continued)

(n) Employee benefits (continued)

(iii) Termination benefits

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

(o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the 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.

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.

1 Significant accounting policies (continued)

(o) Income tax (continued)

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

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

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

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

  – the same taxable entity; or

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

(p) Provisions and contingent liabilities

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

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

(q) Revenue recognition

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

1 Significant accounting policies (continued)

(q) Revenue recognition (continued)

(ii) Service income

Service income is recognised when the related service is rendered.

(iii) Interest income

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

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in 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.

(v) Subsidy income

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

(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.

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

1 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 and discontinued operations

(i) Non-current assets held for sale

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

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

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

1 **Significant accounting policies (continued)**

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

(ii) Discontinued operations

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

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

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

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

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

(w) Related parties

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Significant accounting policies (continued)

(x) Segment reporting

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

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

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

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

2 Changes in accounting policies

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

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, *Financial instruments: Disclosures* and the amendment to HKAS 1, *Presentation of financial statements: Capital disclosures*, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, *Financial instruments: Disclosure and presentation*. These disclosures are provided throughout these financial statements, in particular in note 28.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital. These new disclosures are set out in note 27(f).

2 Changes in accounting policies (continued)

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

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

3 Turnover

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

Turnover represents the sales value of edible oils to customers net of value added tax and surcharges. The amount of each significant category of revenue recognised in turnover during the year may be analysed as follows:

	2007	2006
	'000	'000
Continuing operations:		
Sales of		
– Small pack edible oils	**57,294**	211,587
Trading of		
– Crude palm oil	**88,504**	–
– Crude soyabean oil	**3,866**	–
– Other edible oils and related products	**1,065**	117,733
	150,729	329,320
Discontinued operations: (note 9)		
Sales of		
– Soyabean oil	**637**	1,175,956
– Palm oil	**305**	85,968
– Other edible oils and related products	**2,346**	10,088
Logistics and storage charges	**12,727**	16,634
Processing charges of edible oil products	**3,848**	17,686
	19,863	1,306,332
	170,592	1,635,652

4 Other revenue and other net income

	2007 '000	2006 '000
Other revenue		
Continuing operations:		
Interest income	**4,193**	1,265
Rental income	**843**	–
Insurance compensation	**–**	741
Sundry income	**86**	162
	5,122	2,168
Discontinued operations: (note 9)		
Interest income	**190**	1,877
Subsidy income	**155**	–
Sundry income	**–**	124
	345	2,001
	5,467	4,169
Other net income		
Continuing operations:		
Gain on disposal of non-current assets classified as held for sale	**–**	1,349
Exchange gain/(loss)	**1,177**	(763)
Gain/(loss) on disposal of fixed assets	**618**	(198)
Miscellaneous net income/(loss)	**68**	(106)
	1,863	282
Discontinued operations: (note 9)		
Gain on disposal of non-current assets classified as held for sale	**490**	–
Exchange (loss)/gain	**(12)**	564
Gain on disposal of fixed assets	**–**	128
Miscellaneous net (loss)/income	**(163)**	72
	315	764
	2,178	1,046

5 (Loss)/profit before taxation

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

	2007 '000	2006 '000
(a) Finance costs:		
Continuing operations:		
Interest on bank advances and other borrowings wholly repayable within five years	**2,628**	4,447
Interest on loan from a related company (note 32(e))	**279**	–
Discounting charges	**–**	6
	2,907	4,453
Discontinued operations: (note 9)		
Interest on bank advances and other borrowings wholly repayable within five years	**16,427**	39,225
Discounting charges	**–**	264
	16,427	39,489
	19,334	43,942
(b) Staff costs:		
Continuing operations:		
Salaries, wages and bonuses	**9,996**	16,068
Staff welfare	**675**	1,013
Contributions to retirement benefit schemes	**909**	951
Equity-settled share-based payment expenses	**3,922**	6,607
Termination benefits	**1,741**	–
	17,243	24,639
Discontinued operations: (note 9)		
Salaries, wages and bonuses	**4,365**	11,465
Staff welfare	**522**	2,094
Contributions to retirement benefit schemes	**596**	1,032
Termination benefits	**121**	–
	5,604	14,591
	22,847	39,230

5 (Loss)/profit before taxation (continued)

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

	2007 '000	2006 '000
(c) Other items:		
Continuing operations:		
Amortisation of land lease premium	**538**	730
Depreciation	**6,049**	5,525
Auditors' remuneration	**1,617**	2,687
Realised loss on commodity derivative contracts	–	25
Impairment losses-trade and other receivables, deposits and prepayments	**1,336**	952
Operating lease charges in respect of properties	**3,038**	5,945
Discontinued operations: (note 9)		
Amortisation of land lease premium	–	932
Depreciation	–	32,258
Auditors' remuneration	**1,201**	62
Write-back of impairment losses for bad and doubtful debts	**(73,673)**	–
Impairment losses		
– fixed assets	–	4,780
– construction in progress	–	7,059
– trade and other receivables, deposits and prepayments	**5,191**	108,396
Operating lease charges in respect of properties	**896**	4,862

6 Taxation

(a) Continuing operations:

(i) Taxation in the consolidated income statement represents:

	2007 '000	2006 '000
Deferred tax		
Origination and reversal of temporary differences (note 16(a))	**–**	4,375

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

	2007 '000	2006 '000
Loss before tax	**(18,830)**	(50,684)
Notional tax on loss before tax, calculated at the rates applicable to the tax jurisdiction concerned	**(2,832)**	(8,253)
Non-deductible expenses	**909**	1,857
Non-taxable income	**(401)**	–
Utilisation of previously unrecognised tax losses	**(891)**	–
Unused tax losses not recognised	**3,215**	10,771
Actual tax expense	**–**	4,375

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

6 Taxation (continued)

(b) Discontinued operations: (note 9)

(i) Taxation in the consolidated income statement represents:

	2007 **'000**	2006 '000
Current tax – PRC income tax		
Tax refund for re-investment	–	(1,565)
Deferred tax		
Origination and reversal of temporary differences (note 16(a))	–	45,436
Total income tax expense	–	43,871

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

	2007 **'000**	2006 '000
Profit/(loss) before tax	**154,588**	(224,454)
Notional tax on profit/(loss) before tax, calculated at the rates applicable to the tax jurisdiction concerned	**24,463**	(35,827)
Non-deductible expenses	**6,846**	209
Non-taxable income	**(26,319)**	–
Utilisation of previously unrecognised tax losses	**(7,059)**	–
Unused tax losses not recognised	**2,069**	81,054
Tax refund of re-investment	–	(1,565)
Actual tax expense	–	43,871

(Expressed in Hong Kong dollars unless otherwise indicated)

6 Taxation (continued)

(c) Applicable tax rates

Hong Kong Special Administrative Region

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profit subject to Hong Kong Profits Tax during the years ended 31 December 2007 and 2006.

On 27 February 2008, the Financial Secretary of Hong Kong Special Administrative Region Government announced his annual Budget which proposes a cut in the profits tax rate from 17.5% to 16.5% with effect from the fiscal year 2008-2009. Details of the changes are disclosed under the paragraph "Post balance sheet events" in note 36(b).

The PRC

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

	Note	**2007**	2006
Continuing operations:			
Beijing China Force Huarui Management Consultant Co., Ltd. ("China Force (Beijing)")		**33%**	33%
Shanghai China Force Huaxu Management Consultant Co., Ltd. ("China Force (Shanghai)")		**33%**	33%
China Force Oils (Tianjin) Co., Ltd. ("China Force Oils (Tianjin)")	(i)	**15%**	15%
China Force Oils (Zhenjiang) Co., Ltd. ("China Force Oils (Zhenjiang)")	(ii)	**24%**	24%
Discontinued operations:			
China Force Oils & Grains (Tianjin) Industry Co., Ltd. ("China Force (Tianjin)")	(ii)	**15%**	15%
China Force Oils & Grains Industrial (Zhenjiang) Co., Ltd. ("China Force (Zhenjiang)")	(ii)	**24%**	24%
China Force Oils & Grains Industrial (Dongguan) Co., Ltd. ("China Force (Dongguan)")	(ii)	**N/A**	0%

6 Taxation (continued)

(c) Applicable tax rates (continued)

The PRC (continued)

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 2007.

Notes:

(i) As China Force Oils (Tianjin) did not generate assessable profits during the year ended 31 December 2007, 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. As China Force Oils (Zhenjiang) has tax losses brought forward which exceed the estimated assessable profit for the year, the tax holiday has not been kicked off. China Force (Tianjin) and China Force (Zhenjiang) are in the seventh year following the first profit-making year. China Force (Dongguan) was disposed of in the year ended 31 December 2006 and it was in the second year of tax holiday.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress promulgated the Corporate Income Tax Law of the PRC (the "New Tax Law"), which would become effective on 1 January 2008. Further, on 6 December 2007, the State Council released the Implementation Rules to the Corporate Income Tax Law (the "Implementation Rules"). According to the New Tax Law, from 1 January 2008, the standard corporate income tax rates for enterprises in the PRC will be reduced from 33% to 25%.

Under the New Tax Law being effective from 1 January 2008 and in accordance with "Notification of the State Council on Carrying out the Transitional Preferential Policies concerning Enterprise Income Tax" (Guo Fa [2007] No.39) promulgated by the State Council on 26 December 2007, an entity established before 16 March 2007 that was entitled to preferential tax treatment prior to the New Tax Law will be subject to a transitional tax rate beginning in period 2008 ("Transitional Tax Rate") before the new corporate income tax rate of 25% applies. China Force Oils (Tianjin) currently enjoying a reduced tax rate of 15%, the Transitional Tax rate is 18%, 20%, 22%, 24% and 25% in 2008, 2009, 2010, 2011, 2012 onwards respectively. The tax rate will transit to the standard tax rate of 25% for China Force (Zhenjiang) and China Force Oils (Zhenjiang) with current tax rate of 24% effective from 1 January 2008.

Any unutilised tax holidays can continue until expiry tax holidays will be deemed to start from 1 January 2008, even if the company is not yet turning to a profit. China Force Oils (Zhenjiang) is currently under losses status and is forcibly to commence the tax holidays on 1 January 2008.

6 Taxation (continued)

(c) Applicable tax rates (continued)

The PRC (continued)

The enactment of the New Tax Law is not expected to have any financial effect on the amounts accrued in the balance sheet in respect of current tax payable. The deferred tax assets/liabilities of subsidiaries in the PRC are measured using enacted tax rates expected to apply to taxable income, based on the Transitional Tax Rate, in the years in which those temporary differences are expected to be recovered or settled.

In addition, under the New Tax Law, a withholding tax may be applied on the gross amount of dividends received by the Company from its PRC subsidiaries after 1 January 2008. The Implementation Rules provided for the withholding tax rate to be at 10% unless reduced by treaty.

The Cayman Islands and the British Virgin Islands

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is exempt from any income tax in the Cayman Islands and the British Virgin Islands.

7 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 (a))	2007 Total
	'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	389	1,601
Mr Ding Ming Shan (note (b))	–	733	–	11	744	207	951
Mr Li Xiao Ning (note (c))	–	318	–	14	332	207	539
Independent non-executive directors							
Professor Xiao Zhuo Ji	237	–	–	–	237	–	237
Dr Wong Lung Tak, Patrick	158	–	–	–	158	–	158
Mr Chan Kin Sang	158	–	–	–	158	–	158
Total	553	3,451	–	49	4,053	803	4,856

7 Directors' remuneration (continued)

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

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

Notes:

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

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

(c) Mr Li Xiao Xing resigned on 4 September 2007.

8 Individuals with highest emoluments

Of the five individuals with the highest emoluments, three (2006: three) are directors of whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other two (2006: two) individual are as follows:

	2007	2006
	’000	’000
Salaries and other emoluments	**698**	2,791
Discretionary bonuses	**–**	191
Share-based payments	**52**	126
Retirement scheme contributions	**46**	23
Termination benefits	**1,334**	–
	2,130	3,131

The emoluments of the two (2006: two) individuals with the highest emoluments are within the following bands:

	2007	2006
	Number of	Number of
$	**individuals**	individuals
Nil – 1,000,000	**1**	–
1,000,001 – 1,500,000	**1**	1
1,500,001 – 2,000,000	**–**	1

9 Discontinued operations

The Group’s edible oils fractionation and refining operations were discontinued following the disposal of the Group’s entire equity interests in China Force (Dongguan) to PRC independent third parties in August 2006, the transfer of the entire equity interests in China Force (Tianjin) (the “Share Transfer”) and the disposal of certain edible oils refinery, fractionation, distribution and related assets in China Force (Zhenjiang) (the “Disposals”) in August 2007. Further details in relation to the above transactions are set out in the Company’s circulars dated 14 July 2006 and 29 June 2007.

9 Discontinued operations (continued)

(a) The results of the discontinued operations for the years ended 31 December 2007 and 2006 are as follows:

	Note	2007 '000	2006 '000
Turnover	3	**19,863**	1,306,332
Cost of sales		**(8,409)**	(1,306,188)
Gross profit		**11,454**	144
Write-back of impairment losses for bad and doubtful debts		**73,673**	–
Other revenue	4	**345**	2,001
Other net income	4	**315**	764
Impairment losses on non-current assets		**–**	(11,839)
Selling and distribution costs		**(4,180)**	(32,087)
Administrative expenses		**(19,726)**	(130,599)
Profit/(loss) from operations		**61,881**	(171,616)
Gain/(loss) on assets of a disposal group classified as held for sale through			
– disposal of assets	22(b)	**28,714**	–
– disposal of subsidiaries	29	**80,420**	(13,349)
Finance costs	5(a)	**(16,427)**	(39,489)
Profit/(loss) before taxation	5	**154,588**	(224,454)
Income tax	6(b)	**–**	(43,871)
Profit/(loss) for the year		**154,588**	(268,325)

(b) The net cash flows of the discontinued operations for the years ended 31 December 2007 and 2006 are as follows:

	2007 '000	2006 '000
Net cash (outflow)/inflow from operating activities	**(140,732)**	211,591
Net cash inflow from investing activities	**351,615**	14,275
Net cash outflow from financing activities	**(194,637)**	(321,962)
Net cash inflow/(outflow) incurred by the discontinued operations	**16,246**	(96,096)

10 Loss attributable to equity shareholders of the Company

The consolidated profit attributable to shareholders of the Company includes a loss of $4,654,000 (2006: loss of $7,390,000) 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:

	2007	2006
	'000	'000
Amount of loss attributable to equity shareholders dealt with in the Company's financial statements	**(4,654)**	(7,390)
Reversal of impairment losses on investment in subsidiaries and amounts due from subsidiaries	**19,311**	–
Impairment loss on investment in subsidiaries	**–**	(156,205)
Impairment loss on amounts due from subsidiaries	**–**	(340,693)
Company's profit/(loss) for the year (note 27(b))	**14,657**	(504,288)

11 Dividend

The directors do not recommend the payment of a final dividend for the year ended 31 December 2007 (2006: $Nil).

12 (Loss)/earnings per share

(a) Basic (loss)/earnings per share

	2007		2006	
	(Loss)/profit attributable to equity shareholders	**Weighted average of ordinary shares**	Loss attributable to equity shareholders	Weighted average of ordinary shares
	'000	**'000**	'000	'000
Continuing operations	**(18,830)**	**800,000**	(55,059)	800,000
Discontinued operations	**154,588**	**800,000**	(268,325)	800,000
	135,758	**800,000**	(323,384)	800,000

12 (Loss)/earnings per share (continued)

(b) Diluted (loss)/earnings per share

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

13 Segment reporting

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

Business segments

The Group comprises the following main business segments:

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

Trading of edible oils and related products.

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

13 Segment reporting (continued)

Business segments (continued)

	Continuing operations				Discontinued operations					
	Small pack edible oils		Trading of edible oils and related products		Edible oils fractionation and refining		Inter-segment elimination		Consolidated	
	2007 '000	2006 '000	2007 '000	2006 '000	2007 '000	2006 '000	2007 '000	2006 '000	2007 '000	2006 '000
Revenue from external customers	57,294	211,587	93,435	117,733	19,863	1,306,332	–	–	170,592	1,635,652
Inter-segment revenue	787	3,054	134	136,101	385	152,813	(1,306)	(291,968)	–	–
Total	58,081	214,641	93,569	253,834	20,248	1,459,145	(1,306)	(291,968)	170,592	1,635,652
Segment result	(15,035)	(9,396)	(888)	(36,835)	61,881	(171,616)			45,958	(217,847)
Finance costs	(2,907)	(2,005)	–	(2,448)	(16,427)	(39,489)			(19,334)	(43,942)
Gain/(loss) on assets of a disposal group classified as held for sale through										
– disposal of assets	–	–	–	–	28,714	–			28,714	–
– disposal of subsidiaries	–	–	–	–	80,420	(13,349)			80,420	(13,349)
Income tax expense	–	(865)	–	(3,510)	–	(43,871)			–	(48,246)
Profit/(loss) for the year									135,758	(323,384)
Depreciation and amortisation for the year	5,981	5,321	606	934	–	33,190				
Impairment losses										
– fixed assets	–	–	–	–	–	4,780				
– construction in progress	–	–	–	–	–	7,059				
– receivables	1,275	952	61	–	5,191	108,396				
Segment assets	191,583	176,704	83,822	219,271	–	441,490	(68,884)	(121,642)	206,521	715,823
Segment liabilities	(11,755)	(114,900)	(130,507)	(116,575)	–	(275,060)	68,884	208,911	(73,378)	(297,624)
Interest-bearing borrowings	(68,368)	(40,662)	–	(174,289)	–	(261,036)	–	–	(68,368)	(475,987)
Total liabilities									(141,746)	(773,611)
Capital expenditure incurred during the year	5,264	32,361	6	26,916	668	4,583				

Geographical segments

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

14 Fixed assets

The Group

	Buildings held for own use carried at cost '000	Machinery and equipment '000	Motor vehicles '000	Office equipment, furniture and fixtures '000	Sub-total '000	Interests in leasehold land held for own use under operating lease '000	Total '000
Cost:							
At 1 January 2007	41,013	38,724	1,400	2,966	84,103	22,124	106,227
Exchange adjustments	3,031	2,303	93	198	5,625	1,589	7,214
Additions	5	185	–	93	283	–	283
Transfer from construction in progress (note 15)	4,559	705	–	–	5,264	–	5,264
Disposals	(1,518)	(991)	(203)	(14)	(2,726)	–	(2,726)
Transfer to non-current assets classified as held for sale (note 22)	–	(9,838)	–	–	(9,838)	–	(9,838)
At 31 December 2007	47,090	31,088	1,290	3,243	82,711	23,713	106,424
Accumulated amortisation and depreciation:							
At 1 January 2007	1,846	3,038	561	1,111	6,556	893	7,449
Exchange adjustments	212	276	47	89	624	85	709
Charge for the year	2,207	3,083	252	507	6,049	538	6,587
Written back on disposal	(113)	(178)	(105)	(14)	(410)	–	(410)
Transfer to non-current assets classified as held for sale (note 22)	–	(821)	–	–	(821)	–	(821)
At 31 December 2007	4,152	5,398	755	1,693	11,998	1,516	13,514
Net book value:							
At 31 December 2007	42,938	25,690	535	1,550	70,713	22,197	92,910

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(Expressed in Hong Kong dollars unless otherwise indicated)

14 Fixed assets (continued)

The Group (continued)

	Buildings held for own use carried at cost '000	Machinery and equipment '000	Motor vehicles '000	Office equipment, furniture and fixtures '000	Sub-total '000	Interests in leasehold land held for own use under operating lease '000	Total '000
Cost:							
At 1 January 2006	279,742	220,196	7,566	19,195	526,699	66,218	592,917
Exchange adjustments	9,625	8,750	236	701	19,312	2,215	21,527
Additions	525	809	–	522	1,856	–	1,856
Transfer from construction in progress (note 15)	33,189	40,782	–	44	74,015	–	74,015
Disposals							
– through disposal of a subsidiary	(109,026)	(44,517)	(1,093)	(3,271)	(157,907)	(21,328)	(179,235)
– others	(989)	–	(2,225)	(82)	(3,296)	(369)	(3,665)
Transfer to non-current assets classified as held for sale (note 22)	(172,053)	(187,296)	(3,084)	(14,143)	(376,576)	(24,612)	(401,188)
At 31 December 2006	41,013	38,724	1,400	2,966	84,103	22,124	106,227
Accumulated amortisation and depreciation:							
At 1 January 2006	25,233	47,538	3,503	7,306	83,580	2,945	86,525
Exchange adjustments	1,202	2,145	115	318	3,780	142	3,922
Charge for the year	12,982	21,089	943	2,769	37,783	1,662	39,445
Impairment loss	4,780	–	–	–	4,780	–	4,780
Written back on disposal							
– through disposal of a subsidiary	(7,863)	(6,503)	(381)	(995)	(15,742)	(353)	(16,095)
– others	(102)	–	(1,871)	(33)	(2,006)	(55)	(2,061)
Transfer to non-current assets classified as held for sale (note 22)	(34,386)	(61,231)	(1,748)	(8,254)	(105,619)	(3,448)	(109,067)
At 31 December 2006	1,846	3,038	561	1,111	6,556	893	7,449
Net book value:							
At 31 December 2006	39,167	35,686	839	1,855	77,547	21,231	98,778

14 Fixed assets (continued)

The Group (continued)

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

	2007	2006
	’000	’000
In Hong Kong		
– Long lease	–	828
Outside Hong Kong		
– Medium-term leases	**65,135**	59,570
	65,135	60,398
Representing:		
Land and buildings held for own use carried at cost	**42,938**	39,167
Interests in leasehold land held for own use under operating leases	**22,197**	21,231
	65,135	60,398

Long lease represented a lease with an unexpired period not less than fifty years. Medium-term leases represent leases with an unexpired period less than fifty years but more than ten years.

Certain interests in leasehold land held for own use under operating leases, buildings held for own use carried at cost, and machinery and equipment are mortgaged to banks for certain banking facilities granted to the Group as disclosed in note 24.

(b) The interests in leasehold land held for own use under operating leases and buildings held for own use carried at cost of the Group situated in the PRC represent land use rights together with the buildings thereon situated in Tianjin and Zhenjiang, the PRC.

14 Fixed assets (continued)

The Group (continued)

(c) Fixed assets leased out under operating leases

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

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

	2007 **'000**	2006 '000
Within one year	**291**	–
After one year but within five years	**1,164**	–
After five years	**624**	–
	2,079	–

15 Construction in progress

	The Group	
	2007 **'000**	2006 '000
Cost:		
At 1 January	**10,609**	110,945
Exchange adjustment	**236**	3,473
Additions	**4,987**	62,004
Transfer to fixed assets (note 14)	**(5,264)**	(74,015)
Impairment losses	**–**	(7,059)
Disposal of subsidiaries (note 29)	**–**	(1,698)
Transfer to non-current assets classified as held for sale (note 22)	**(9,822)**	(83,041)
At 31 December	**746**	10,609

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

During the year ended 31 December 2006, the carrying amounts of certain construction materials were written down by $7,059,000 as the related construction project had been suspended.

16 Deferred taxation

(a) Deferred tax assets recognised

	Tax losses '000	Impairment losses of receivables and inventories '000	Deductible temporary differences '000	Total '000
At 1 January 2006	44,684	1,500	2,670	48,854
Exchange adjustments	876	29	52	957
Charged to profit or loss (notes 6(a) and (b))	(45,560)	(1,529)	(2,722)	(49,811)
At 31 December 2006, 1 January and 31 December 2007	–	–	–	–

(b) Deferred tax assets not recognised

Continuing operations

In accordance with the accounting policy set out in note 1(o), the Group has not recognised deferred tax assets in respect of cumulative tax losses of $168,755,000 (2006: $152,773,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses will expire in the coming three to five years except for an amount of $132,198,000 (2006: $124,812,000) which do not expire under current tax legislation.

Discontinued operations

In accordance with the accounting policy set out in note 1(o), the Group has not recognised deferred tax assets in respect of cumulative tax losses of $135,097,000 (2006: $442,622,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses will expire in the coming three to five years.

NOTES TO THE FINANCIAL STATEMENTS

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17 Investments in subsidiaries

	The Company	
	2007	2006
	'000	'000
Unlisted shares, at cost	**137,989**	255,776
Less: Impairment loss	**(137,989)**	(255,776)
	–	–

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 1(c) and have been consolidated into the Group financial statements.

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

17 Investments in subsidiaries (continued)

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

Notes:

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

(b) Disposed of during the year ended 31 December 2007.

18 Inventories

(a) Inventories in the consolidated balance sheet comprise:

	The Group	
	2007	2006
	'000	'000
Small pack oils	**1,957**	13,126
Packing materials	**2,082**	2,952
Vegetable oil	**56**	218
Other oils	**51**	672
Sunflower seed oil	**40**	693
Refined soyabean oil	**–**	2,868
Other materials	**129**	284
Continuing operations	**4,315**	20,813
Assets of a disposal group classified as held for sale (note 22)	**–**	4,428
	4,315	25,241

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

	The Group	
	2007	2006
	'000	'000
Continuing operations:		
Carrying amount of inventories sold	**137,034**	320,873
Write-down of inventories	**900**	–
Realised loss on commodity derivative contracts	**–**	25
	137,934	320,898
Discontinued operations: (note 9)		
Carrying amount of inventories sold	**8,409**	1,303,274
Write-down of inventories	**–**	2,914
	8,409	1,306,188
	146,343	1,627,086

19 Trade and other receivables, deposits and prepayments

	Note	The Group 2007 '000	The Group 2006 '000	The Company 2007 '000	The Company 2006 '000
Trade debtors and bills receivables		**10,410**	38,317	**–**	–
Less: Allowance for doubtful debts (note 19(e))		**(4,532)**	(3,019)	**–**	–
		5,878	35,298	**–**	–
Amounts due from subsidiaries	(a)	**–**	–	**–**	52,318
Long-term receivable	(b)	**55,607**	–	**–**	–
Deposits and other receivables		**14,171**	28,116	**183**	145
Prepayments for purchases of raw materials		**12,212**	263	**–**	–
		87,868	63,677	**183**	52,463
Non-current portion of long-term receivable	(b)	**(46,300)**	–	**–**	–
Continuing operations		**41,568**	63,677	**183**	52,463
Assets of a disposal group classified as held for sale (note 22)		**–**	43,218		
		41,568	106,895		

Notes:

(a) The amounts due from subsidiaries at 31 December 2006 were unsecured, interest free and had no fixed terms of repayment.

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

Notes: (continued)

(b) Upon completion of the Share Transfer (note 9), the amount due from China Force (Tianjin) is unsecured and repayable as follows:

	The Group 2007 '000
Within one year	**9,307**
After one year but within two years	**8,664**
After two years but within five years	**37,636**
	46,300
	55,607

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

(c) Except as noted in (b) above, all of the trade and other receivables, deposits and prepayments (including amounts due from subsidiaries) are expected to be recovered or recognised as expenses within one year.

(d) Ageing analysis

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

	The Group	
	2007 '000	2006 '000
Current	**2,359**	22,246
Less than one month past due	**1,184**	6,983
More than one month but less than three months past due	**895**	3,993
More than three months but less than twelve months past due	**1,440**	2,076
Amounts past due	**3,519**	13,052
	5,878	35,298

Trade debtors and bills receivables are due within one month from the date of billing. Further details on the Group's credit policy are set out in note 28(a).

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

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

	The Group	
	2007	2006
	'000	'000
At 1 January	**3,019**	3,222
Exchange adjustment	**239**	521
Impairment loss recognised	**1,274**	20,350
Transfer to assets of a disposal group classified as held for sale	**–**	(21,074)
At 31 December	**4,532**	3,019

At 31 December 2007, the Group's trade debtors of $1,274,000 was individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that the receivables are expected to be irrecoverable. Consequently, specific allowances for doubtful debts of $1,274,000 were recognised. The Group does not hold any collateral over these balances.

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

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

	The Group	
	2007	2006
	'000	'000
Neither past due nor impaired	**2,359**	22,246
Less than one month past due	**1,184**	6,983
More than one month but less than three months past due	**895**	3,993
More than three months but less than twelve months past due	**1,440**	2,076
	3,519	13,052
	5,878	35,298

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

(f) Trade debtors and bills receivable that are not impaired (continued)

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

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

20 Cash and cash equivalents

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

	The Group		The Company	
	2007	2006	**2007**	2006
	’000	’000	**’000**	’000
Cash at bank	**18,659**	9,224	**89**	120
Cash in hand	**309**	545	**–**	–
Cash and cash equivalents in the consolidated balance sheet and cash flow statement	**18,968**	9,769	**89**	120
Assets of a disposal group classified as held for sale (note 22)	**–**	12,543		
	18,968	22,312		

21 Other deposits

The Group has placed deposits of $11,000 (2006: $10,000) with independent futures trading agents for commodity derivative contracts entered into in the normal course of business primarily to protect the Group from the impact of price fluctuations in oil commodities.

At 31 December 2007, there is no outstanding commodity derivative contracts or commitments in respect of purchases of raw materials (2006: $Nil).

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

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

		The Group	
	Note	**2007**	2006
		'000	'000
Non-current assets classified as held for sale	(a)	**1,671**	5,420
Assets of a disposal group classified as held for sale	(b)		
Fixed assets	14	–	292,121
Deposits paid for acquisition of fixed assets		–	41,019
Construction in progress	15	–	83,041
Inventories	18	–	4,428
Trade and other receivables, deposits and prepayments	19	–	43,218
Pledged bank deposits		–	23,000
Cash and cash equivalents	20	–	12,543
		–	499,370
		1,671	504,790
Liabilities directly associated with assets of a disposal group classified as held for sale	(b)		
Trade and other payables	23	–	(211,429)
Bank loans	24	–	(261,036)
		–	(472,465)

(a) The non-current assets classified as held for sale represent an item of equipment with carrying amount of $1,671,000 (2006: items of equipment of $5,420,000). As the carrying amount of this equipment will be recovered through sale transaction, it has been presented as non-current assets held for sale as at 31 December 2007. As the expected disposal proceeds are to exceed its carrying amount, no impairment loss has been recognised immediately before the classification of the non-current assets held for sale.

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

(b) The Group agreed with certain investors to dispose of its interest in edible oils fractionation and refining operations. The assets and liabilities attributable to the operations have been classified as a disposal group held for sale and are presented separately in the consolidated balance sheet as at 31 December 2006. The Disposals were completed in August 2007 (note 9), with the resulted gain on disposal of $28,714,000 credited to profit or loss.

In addition, a PRC independent third party filed in December 2006 a claim against a subsidiary of the Group. Accordingly, certain assets of China Force (Zhenjiang) totalling $134,021,000 were ordered to be frozen by a PRC local court. The Group agreed with the same party to dispose of certain edible oils refinery, fractionation, distribution and related assets in China Force (Zhenjiang), its entire interest in China Force Modern Storage & Transportation (Zhenjiang) Co., Ltd. ("China Force Modern Storage"), the entire interest in China Force Protein Biotechnology (Zhenjiang) Co., Ltd. ("China Force Protein Biotechnology") and accounts receivable from Central Grain Reserve Dongguan Oils & Grains Co., Ltd.. On 4 June 2007, the Group and the PRC independent third party reached a conciliation agreement under the conciliation of the PRC local court. The Disposals were completed in August 2007 (note 9) and the frozen assets were released. Accordingly, the related assets and liabilities have been presented as a disposal group held for sale as at 31 December 2006.

23 Trade and other payables

		The Group		The Company	
		2007	**2006**	2007	2006
	Note	**'000**	'000	**'000**	'000
Trade creditors		**21,080**	20,731	**–**	–
Amounts due to subsidiaries	(a)	**–**	–	**13**	–
Accrued charges and other payables		**58,626**	56,457	**529**	713
Receipts in advance		**10,073**	8,269	**–**	–
		89,779	85,457	**542**	713
Long-term payable	(b)	**(17,164)**	–	**–**	–
Continuing operations		**72,615**	85,457	**542**	713
Liabilities directly associated with assets of a disposal group classified as held for sale (note 22)		**–**	211,429		
		72,615	296,886		

23 Trade and other payables (continued)

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

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

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

	2007	2006
	'000	'000
Due within three months	**10,869**	20,731
Due after one year	**10,211**	–
	21,080	20,731

24 Bank loans

At 31 December 2007, the bank loans were repayable within one year or on demand and analysed as follows:

	The Group	
	2007	2006
	'000	'000
Continuing operations	**40,193**	214,951
Liabilities directly associated with assets of a disposal group classified as held for sale (note 22)	**–**	261,036
	40,193	475,987

24 Bank loans (continued)

At 31 December 2007, terms of bank loans were as follows:

Continuing operations:

	2007			2006		
	Book value of pledged assets ’000	**Interest rate %**	**Bank loans ’000**	Book value of pledged assets ’000	Interest rate %	Bank loans ’000
Bank loans secured by						
Fixed assets (notes (a) and (c))	**28,304**	**7.23-9.48**	**40,193**	59,745	6.12 - 7.04	75,400
Bank deposits	–	–	–	23,000	5.70 - 5.70	21,889
Discounted bills with recourse	–	–	–	2,662	3.84 - 3.84	2,662
Interest in subsidiaries (note (b))	–	–	–	50,218	5.76 - 6.14	75,000
			40,193			174,951
Unsecured bank loans						
Repayable –within one year	–	–	–	–	6.44 - 6.44	40,000
			40,193			214,951

24 Bank loans (continued)

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

	2007			2006		
	Book value of pledged assets '000	Interest rate %	Bank loans '000	Book value of pledged assets '000	Interest rate %	Bank loans '000
Bank loans secured by						
Fixed assets (note (b))	–	–	–	140,093	5.58 - 9.21	261,036

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

(b) The shares and certain fixed assets of China Force Protein Biotechnology (Zhenjiang) Co., Ltd., China Force Modern Storage and China Force Oils (Zhenjiang) were pledged as security against financing facilities granted to China Force (Zhenjiang). The pledge was released upon the completion of the Disposals in August 2007 (note 9).

(c) As at 31 December 2006 and immediately before the date of the Disposals in August 2007, bank loans totalling approximately $25,036,000 and $166,400,000 were overdue, respectively. The Group negotiated with its principal bankers extensions of the overdue bank loans. In this connection, the banks allowed the Group to extend the repayment dates of the overdue bank loans at an average additional interest rate of 2.98% ranging from 8.59% to 10.48%. These bank loans were fully repaid upon the completion of the Disposals in August 2007 (note 9).

25 Retirement benefits

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

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

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

26 Equity settled share-based transactions

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

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

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

(iii) the nominal value of the shares.

(Expressed in Hong Kong dollars unless otherwise indicated)

26 Equity settled share-based transactions (continued)

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

(i) Pre-IPO Share Option Scheme

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

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

(ii) Share Option Scheme

As at 31 December 2007, no options were granted under the Share Option Scheme. On 2 January and 20 March 2008, 27,170,000 and 46,800,000 share options were granted respectively. Details of these share options are disclosed under the paragraph “Post balance sheet events” in note 36(a).

26 Equity settled share-based transactions (continued)

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

	2007		2006	
	Exercise price	**Number of options '000**	Exercise price	Number of options '000
Outstanding at 1 January	**1.23**	**61,850**	1.23	64,000
Forfeited during the year	**1.23**	**(9,020)**	1.23	(2,150)
Outstanding at 31 December	**1.23**	**52,830**	1.23	61,850
Exercisable at 31 December	**1.23**	**10,566**	1.23	24,740

(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 binomial lattice model. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

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

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

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

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

27 Capital and reserves

(a) The Group

	Share capital '000	Share premium '000	Statutory reserves '000	Capital reserve '000	Exchange reserve '000	Accumulated losses '000	Amounts recognised directly in equity relating to non-current assets and a disposal group classified as held for sale '000	Total equity '000
At 1 January 2007	100,000	267,223	15,924	19,945	2,865	(482,120)	18,375	(57,788)
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	–	–	–	–	1,258	–	(721)	537
Equity settled share-based transactions								
– Amount recognised during the year	–	–	–	3,922	–	–	–	3,922
– Forfeiture of share options	–	–	–	(3,410)	–	3,410	–	–
Profit for the year	–	–	–	–	–	135,758	–	135,758
Disposals of subsidiaries and non-current assets and a disposal group classified as held for sale	–	–	–	–	–	–	(17,654)	(17,654)
At 31 December 2007	100,000	267,223	15,924	20,457	4,123	(342,952)	–	64,775
At 1 January 2006	100,000	267,223	32,488	13,928	4,643	(159,326)	–	258,956
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	–	–	–	–	2,945	–	232	3,177
Amounts recognised directly in equity relating to non-current assets and a disposal group classified as held for sale	–	–	(16,564)	–	(4,723)	–	21,287	–
Equity settled share-based transactions								
– Amount recognised during the year	–	–	–	6,607	–	–	–	6,607
– Forfeiture of share options	–	–	–	(590)	–	590	–	–
Loss for the year	–	–	–	–	–	(323,384)	–	(323,384)
Disposal of a subsidiary	–	–	–	–	–	–	(3,144)	(3,144)
At 31 December 2006	100,000	267,223	15,924	19,945	2,865	(482,120)	18,375	(57,788)

27 Capital and reserves (continued)

(b) The Company

	Share capital '000	Share premium '000	Contributed surplus '000	Capital reserve '000	(Accumulated losses)/ retained profit '000	Total '000
At 1 January 2007	100,000	267,223	159,767	19,945	(495,065)	51,870
Equity settled share-based transactions						
– Amount recognised during the year	–	–	–	3,922	–	3,922
– Forfeiture of share options	–	–	–	(3,410)	1,001	(2,409)
Profit for the year	–	–	–	–	14,657	14,657
Disposals of subsidiaries	–	–	(68,310)	–	–	(68,310)
At 31 December 2007	100,000	267,223	91,457	20,457	(479,407)	(270)
At 1 January 2006	100,000	267,223	185,898	13,928	8,633	575,682
Equity settled share-based transactions						
– Amount recognised during the year	–	–	–	6,607	–	6,607
– Forfeiture of share options	–	–	–	(590)	590	–
Loss for the year	–	–	–	–	(504,288)	(504,288)
Disposal of a subsidiary	–	–	(26,131)	–	–	(26,131)
At 31 December 2006	100,000	267,223	159,767	19,945	(495,065)	51,870

27 Capital and reserves (continued)

(c) Share capital

Authorised and issued share capital

	2007		2006	
	No. of shares ’000	**Amount ’000**	No. of shares ’000	Amount ’000
Authorised:				
Ordinary share of $0.125 each	**3,200,000**	**$ 400,000**	3,200,000	$ 400,000
Issued and fully paid:				
Ordinary share of $0.125 each	**800,000**	**$ 100,000**	800,000	$ 100,000

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

(d) Nature and purpose of reserves

(i) Contributed surplus

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

(ii) Share premium

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

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

(iii) Capital reserve

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

27 Capital and reserves (continued)

(d) Nature and purpose of reserves (continued)

(iv) Exchange reserve

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

(v) Statutory reserves

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

(a) Statutory surplus reserve

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

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

(b) Enterprise development fund

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

(e) Distributability of reserves

At 31 December 2007, the aggregate amount of reserves available for distribution to equity shareholders of the Company was $Nil (2006: $Nil).

27 Capital and reserves (continued)

(f) Capital management

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

At 31 December 2007, the Group had bank loans amounting to $40,193,000 (2006: (continuing operations) $214,951,000) which is repayable within one year. The gearing ratio, representing the ratio of total borrowings and long-term payable net of cash and cash equivalents to the total share capital and reserves of the Group was 76.3% at 31 December 2007 (2006: (355.1)%).

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

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

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

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

28 Financial instruments

Exposures to credit, liquidity, interest rate and currency risks arise in the normal course of the Group's business. The Group is also exposed to commodity price risk arising from any unexpected changes in price of oil commodity. These risks are limited by the Group's financial management policies described below.

(a) Credit risk

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

Credit evaluations are performed on all customers requiring credit over a certain amount. These debtors are due within one month from the date of billing. Occasionally, credit terms up to one month from the date of billing may be granted to customers, depending on the credit worthiness of individual customers.

At the balance sheet date, there is certain concentration of credit risk as 13% (2006: 41%) of the total trade debtors was due from the Group's five largest customers. While the amount due from the Group's largest customer represented 12% of the total trade debtors at 31 December 2006, there was nil balance due from the Group's largest customer at 31 December 2007 as the relevant trade debts were settled before the year end date.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

28 Financial instruments (continued)

(b) Liquidity risk

At 31 December 2007, the Group has net current liabilities of approximately $47,038,000. The Group is exposed to liquidity risk of being unable to finance its future working capital and financial requirements when they fall due. To manage liquidity risk, the Group regularly monitors its current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks to meet its liquidity requirements in the short term and long term. At 31 December 2007, the Group had total committed bank facilities of $40,193,000 (2006: $482,087,000), and the undrawn facilities at that date were nil (2006: $6,100,000).

The directors are of the opinion that the Group will be able to finance its future working capital and financial requirements as described in note 1(b) to the financial statements.

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

The Group

	2007					2006				
	Carrying amount '000	Total contractual undiscounted cash flow '000	Within 1 year or on demand '000	More than 1 year but less than 2 years '000	More than 2 years but less than 5 years '000	Carrying amount '000	Total contractual undiscounted cash flow '000	Within 1 year or on demand '000	More than 1 year but less than 2 years '000	More than 2 years but less than 5 years '000
Trade and other payables	72,615	72,615	72,615	–	–	85,457	85,457	85,457	–	–
Amounts due to related companies	763	763	763	–	–	738	738	738	–	–
Bank loans	40,193	41,112	41,112	–	–	214,951	219,253	219,253	–	–
Long-term payable	17,164	19,350	–	19,350	–	–	–	–	–	–
Loan from a related company	11,011	15,988	–	–	15,988	–	–	–	–	–
	141,746	149,828	114,490	19,350	15,988	301,146	305,448	305,448	–	–

The Company

	2007					2006				
	Carrying amount '000	Total contractual undiscounted cash flow '000	Within 1 year or on demand '000	More than 1 year but less than 2 years '000	More than 2 years but less than 5 years '000	Carrying amount '000	Total contractual undiscounted cash flow '000	Within 1 year or on demand '000	More than 1 year but less than 2 years '000	More than 2 years but less than 5 years '000
Amounts due to subsidiaries	13	13	13	–	–	–	–	–	–	–
Trade and other payables	529	529	529	–	–	713	713	713	–	–
	542	542	542	–	–	713	713	713	–	–

28 Financial instruments (continued)

(c) Interest rate risk

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

(i) Interest rate profile

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

	The Group			
	2007		2006	
	Effective interest rate %	**Amount '000**	Effective interest rate %	Amount '000
Fixed rate borrowings:				
Bank loans	**8.28**	**40,193**	6.15	214,951
Long-term payable	**8.32**	**17,164**	–	–
Loan from a related company	**8.32**	**11,011**	–	–
		68,368		214,951

(ii) Sensitivity analysis

At 31 December 2007, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would decrease the Group's profit after tax by approximately $535,000 (2006: $3,852,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for fixed rate borrowings in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2006.

(d) Commodity price risk

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

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

28 Financial instruments (continued)

(e) Currency risk

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

Exposure to currency risk

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

	The Group		**The Company**	
	2007	2006	**2007**	2006
	United States Dollars '000	United States Dollars '000	**United States Dollars '000**	United States Dollars '000
Cash and cash equivalents	**865**	894	**2**	–
Trade and other payables	**–**	(223)	**–**	–
Bank loans	**–**	(2,803)	**–**	–
Overall net exposure	**865**	(2,132)	**2**	–

28 Financial instruments (continued)

(f) Fair values

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

(i) Bank loans

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

(ii) Amount due from China Force (Tianjin), long-term payable and loan from a related company

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

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

29 Disposal of interests in subsidiaries

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

During the year ended 31 December 2006, the Group disposed of a subsidiary, China Force Dongguan, to an independent third party at a consideration of $49,461,000. A loss on disposal of $13,349,000 was charged to profit or loss.

29 Disposal of interests in subsidiaries (continued)

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

	Note	2007 '000	2006 '000
Net assets disposed			
Fixed assets			
– Property, plant and equipment		**178,991**	142,165
–Interests in leasehold land held for own use under operating leases		**65,333**	20,975
Deposits paid for acquisition of fixed assets		**–**	1,120
Construction in progress	15	**57,986**	1,698
Inventories		**4,483**	57,724
Trade and other receivables, deposits and prepayments		**122,275**	60,205
Pledged bank deposits		**26,804**	4,902
Cash and cash equivalents		**1,186**	30,140
Trade and other payables		**(263,667)**	(184,348)
Bank loans		**(105,156)**	(68,627)
		88,235	65,954
Release of reserves	27(a)	**(17,654)**	(3,144)
		70,581	62,810
Gain/(loss) on disposal of subsidiaries	9(a)	**80,420**	(13,349)
		151,001	49,461
Satisfied by			
Cash		**151,001**	49,461
Analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiaries			
Cash and cash equivalents disposed of		**(1,186)**	(30,140)
Cash consideration received		**151,001**	49,461
		149,815	19,321

30 Commitments

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

	2007	2006
	'000	'000
Contracted for	**10,511**	60,294

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

(b) At 31 December 2007, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2007	2006
	'000	'000
Within 1 year	**663**	3,183
After 1 year but within 5 years	**99**	9,253
After 5 years	–	10,938
	762	23,374

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

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

(c) At 31 December 2007, the Company had commitments to contribute capital of $234,000,000 (2006: $359,620,000) (equivalent to US$30,000,000 (2006: US$49,105,000)) for setting up three (2006: eight) wholly owned subsidiaries in the PRC.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

31 Litigation

In December 2006, a PRC independent third party filed a claim at the First Intermediate People's Court of Shanghai City ("上海市第一中級人民法院") against a Hong Kong subsidiary of the Group, in connection with a delayed shipment under a sales contract entered into between the PRC independent third party and the Hong Kong subsidiary. The claim consisted of a discount on original sales value requested by the PRC independent third party of $280,000, and related port charges arose from the delayed shipment of $84,000. A provision of $364,000 in respect of the discount on original sales value was included in trade and other payables in the consolidated balance sheet.

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

32 Material related party transactions

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

Name of party	*Relationship*
北京中盛百富投資有限公司 (Beijing China Force Baifu Investment Co., Ltd.)	70% owned by Ms Lim Yu (note 3)
江蘇正豐油脂倉儲有限公司 (Jiangsu Zheng Feng Oils and Fats Storage Co., Ltd.)	Mr Lam Cham (note 2) is the legal representative and it was effectively owned by Mr Lim Wa (note 1) and Mr Lam Cham before November 2006

Notes:

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

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

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

32 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) Storage usage fees

	2007 **'000**	2006 '000
Discontinued operations:		
Storage usage fees paid to:		
Jiangsu Zheng Feng Oils and Fats Storage Co., Ltd.	–	2,804

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

(b) Acquisition of an office unit

Pursuant to the Real Property Transfer Agreement dated 20 March 2004, the Group acquired an office unit (the "Office") from Beijing China Force Baifu Investment Co., Ltd in consideration of $12,926,000 (RMB12,060,000). The Office was purchased by Beijing China Force Baifu Investment Co., Ltd. from an independent third party property developer for the same consideration by way of instalment payments to such property developer. At the balance sheet date, the acquisition was still in progress and property ownership had not been passed to Beijing China Force Baifu Investment Co., Ltd. then to the Group by the property developer as at the balance sheet date. The remaining balance of $10,511,000 (RMB9,807,000) was included as capital commitment of the Group at the balance sheet date. The Office was occupied by China Force (Beijing) during the year. Subsequently China Force (Beijing) moved out from the Office in January 2008.

In the event that the sale and purchase agreement in respect of the Office was repudiated by the property developer, China Force (Beijing) might have to pay the property developer an aggregate rental of approximately $5,404,000 for the period from 20 March 2004 to 31 December 2007. Based on the opinion from the Group's external legal counsel and given that the aggregate rental has been fully provided in trade and other payables in the consolidated balance sheet, the directors are of the opinion that there would not be other significant liabilities other than the above.

(c) Disposal of land use rights

During the year ended 31 December 2006, certain land use rights in China Force Zhenjiang were sold to Jiangsu Zheng Feng Oils and Fats Storage Co., Ltd. at a consideration of $386,000 which resulted in a gain on disposal of $64,000.

32 Material related party transactions (continued)

(d) Amounts due to related companies

	2007 '000	2006 '000
Jiangsu Zheng Feng Oils and Fats Storage Co., Ltd.	**291**	738
Beijing China Force Baifu Investment Co., Ltd.	**472**	–
	763	738

Amounts due to related companies are unsecured, interest free and repayable within one year.

(e) Loan from a related company

Upon completion of the Disposal (note 9), an amount of RMB14,917,000 was advanced from Jiangsu Zheng Feng Oils and Fats Storage Co., Ltd. in September 2007. The amount is unsecured and repayable on 31 August 2012.

	2007 '000	2006 '000
Jiangsu Zheng Feng Oils and Fats Storage Co., Ltd., at fair value	**11,011**	–

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

(f) Key management personnel remuneration

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

	2007 '000	2006 '000
Short-term employee benefits	**5,832**	9,062
Post-employment benefits	**145**	176
Equity compensation benefits	**1,392**	2,943
Termination benefits	**1,334**	–
	8,703	12,181

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

32 Material related party transactions (continued)

(g) Amount due to a substantial shareholder

	2007 '000	2006 '000
Substantial shareholder – Mr Lim Wa	–	2,600

The amount due to a substantial shareholder included in "liabilities directly associated with assets of a disposal group classified as held for sale – trade and other payables", was unsecured, interest free and was repaid in 2007.

33 Comparative figures

As a result of adopting HKFRS 7, Financial instruments: Disclosures, and the amendments to HKAS 1, Presentation of financial statements: Capital disclosures, certain comparative figures have been adjusted to conform with changes in disclosures in the current year and to show separately comparative amounts in respect of items disclosed for the first time in 2007. Further details of these developments are disclosed in note 2.

34 Immediate and ultimate controlling party

At 31 December 2007, the directors consider the immediate parent and ultimate controlling party of the Group to be Aswell Group Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

35 Accounting estimates and judgements

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

35 Accounting estimates and judgements (continued)

(b) Valuation of inventories

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

(c) Impairments

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

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

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

36 Post balance sheet events

(a) Share option scheme

On 2 January 2008, 27,170,000 share options were granted to the Company's directors and employees with an exercise price of $0.27 per share under the Share Option Scheme. The share options have a vesting period of three months after the date of grant. According to the share option agreement, the share options shall be valid and effective on or before 1 January 2011.

Pursuant to an ordinary resolution passed on an extraordinary general meeting on 11 February 2008, the limit in respect of the granting of share options under the Share Option Schemes has been refreshed from 10% to 20% of the total number of the ordinary shares in issue of the Company.

On 20 March 2008, 46,800,000 share options were granted to the Company's directors and employees with an exercise price of $0.292 per share under the Share Option Scheme. The share options have a vesting period of three months after the date of grant. According to the share option agreement, the share options shall be valid and effective on or before 19 June 2011.

36 Post balance sheet events (continued)

(b) Changes in applicable tax rates

On 27 February 2008, the Financial Secretary of Hong Kong Special Administrative Region Government announced his annual budget which proposes a cut in the profits tax rate from 17.5% to 16.5% with effect from the fiscal year 2008-2009 and a one-off reduction of 75% of the tax payable for the 2007-08 assessment subject to a ceiling of $25,000. In accordance with the Group's accounting policy set out in note 1(o), no adjustments have been made to these financial statements as a result of this announcement.

The directors consider that these proposed changes will not have a significant impact on the Group's nor the Company's opening balance as at 1 January 2008.

(c) Loan from a third party

In February 2008, the Group entered into a loan agreement with a third party for an amount of $14,000,000. The loan is unsecured, bears interest at 7.99% per annum and is repayable in February 2009.

(d) Bank loans

In April 2008, the Group renewed certain bank loans with its principal bankers with an aggregate amount of $27,867,000 (RMB26,000,000). These loans are secured by certain fixed assets of the Group, bear interest at rates ranging from 8.22% to 9.71% per annum and are repayable from October 2008 to April 2009.

37 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2007

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2007 and which have not been adopted in these financial statements.

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

In addition, HKFRS 8, Operating segments, which is effective for annual periods beginning on or after 1 January 2009, may result in new or amended disclosures in the financial statements.

FIVE YEARS SUMMARY

(Expressed in Hong Kong dollars)

	2003 '000	2004 '000	2005 '000	2006 '000	**2007 '000**
Assets and liabilities					
Total assets	1,089,041	1,635,632	1,746,808	715,823	**206,521**
Total liabilities	(853,522)	(1,023,178)	(1,487,852)	(773,611)	**(141,746)**
NET ASSETS/(LIABILITIES)	235,519	612,454	258,956	(57,788)	**64,775**
Share capital	93,600	100,000	100,000	100,000	**100,000**
Reserves	141,919	512,454	158,956	(157,788)	**(35,225)**
TOTAL EQUITY	235,519	612,454	258,956	(57,788)	**64,775**
Results					
Turnover					
Continuing operations	1,186,498	777,881	412,763	329,320	**150,729**
Discontinued operations	2,122,361	3,791,141	3,227,000	1,306,332	**19,863**
	3,308,859	4,569,022	3,639,763	1,635,652	**170,592**
Profit/(loss) before taxation					
Continuing operations	(10,213)	24,148	(122,198)	(50,684)	**(18,830)**
Discontinued operations	125,576	94,554	(243,558)	(224,454)	**154,588**
	115,363	118,702	(365,756)	(275,138)	**135,758**
Income tax					
Continuing operations	595	(4,271)	4,431	(4,375)	–
Discontinued operations	(12,242)	(13,847)	49,152	(43,871)	–
	(11,647)	(18,118)	53,583	(48,246)	–
Profit/(loss) for the year					
Continuing operations	(9,618)	19,877	(117,767)	(55,059)	**(18,830)**
Discontinued operations	113,334	80,707	(194,406)	(268,325)	**154,588**
	103,716	100,584	(312,173)	(323,384)	**135,758**

FIVE YEARS SUMMARY

(Expressed in Hong Kong dollars)

Notes:

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

The Group resulting from the Reorganisation is regarded as a continuing group. Accordingly, the consolidated financial statements have been prepared on the basis that the Company has been treated as the holding company of the Group since 1 January 2001, rather than from 19 June 2004. Accordingly, the consolidated results of the Group for the five years ended 31 December 2007 have been prepared as if the Group structure immediately after the Reorganisation had been in existence since 1 January 2001. This financial summary includes the consolidated results of the Company and its subsidiaries with effect from 1 January 2001 or since their respective dates of incorporation, whichever is a shorter period. The consolidated balance sheets at 31 December 2003, 2004, 2005, 2006 and 2007 are the combination of the balance sheets of the Company and its subsidiaries at 31 December 2003, 2004, 2005, 2006 and 2007. In the opinion of the directors, the resulting consolidated financial statements give a more meaningful view of the results and state of affairs of the Group as a whole.

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

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

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

OTHER INFORMATION

PLEDGE OF SHARES BY THE CONTROLLING SHAREHOLDER

Share pledge agreement

The Company has been advised that on 31 January 2007, Aswell Group Limited ("Aswell"), a controlling shareholder (as defined under the Listing Rules) of the Company and a limited liability company wholly-owned by Mr. LIM Wa, an executive director of the Company, entered into a share pledge agreement (the "Share Pledge Agreement") with The Bank of Communications Co., Ltd., Tianjin Branch (the "Bank of Communications").

Pursuant to the Share Pledge Agreement, Aswell has agreed to pledge 192,000,000 Shares (representing approximately 24 per cent. of the issued Shares) out of 468,200,000 Shares held by it in favour of the Bank of Communications. The Share Pledge Agreement has been entered into as part of the security to secure a bank loan in the maximum amount of RMB80,000,000 granted by Bank of Communications to China Force Oils & Grains (Tianjin) Industry Co., Ltd., a wholly-owned subsidiary of the Company, for the period commencing from 28 March 2006 to 30 April 2007.

On 4 September, 2007, the above mentioned pledge was released.

Deed of Share Charge

The Company has been advised that on 29 March 2007, Aswell Group Limited ("Aswell"), a controlling shareholder (as defined under the Listing Rules) of the Company and a limited liability company wholly-owned by Mr. LIM Wa, an executive director of the Company, entered into a deed of share charge (the "Deed of Share Charge") with The Agricultural Bank of China Tianjin Port Free Trade Zone Branch (the "Agricultural Bank of China").

Pursuant to the Deed of Share Charge, Aswell has agreed to charge to the Agricultural Bank of China, by way of first fixed charge, 238,000,000 Shares (representing approximately 29.8 per cent. of the issued shares of the Company) out of the 468,200,000 Shares held by it. The Deed of Share Charge has been entered into as a continuing security for the general banking facilities of up to RMB74,000,000 granted by the Agricultural Bank of China to China Force Oils & Grains (Tianjin) Industry Co., Ltd., a wholly-owned subsidiary of the Company, under three separate loan agreements dated 28 April 2006, 19 May 2006 and 28 June 2006, respectively, each for a term of one year.

On 20 August, 2007, the above mentioned pledge was released.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
LIM Wa (Chairman and Chief Executive Officer)
LAM Cham (Deputy Chief Executive Officer)

Independent Non-executive Directors
XIAO Zhuo Ji
WONG Lung Tak, Patrick, J.P.
CHAN Kin Sang

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

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

AUTHORISED REPRESENTATIVES

LIM Wa
LAM Cham

AUDIT COMMITTEE

WONG Lung Tak, Patrick, J.P. (Chairman)
XIAO Zhuo Ji
CHAN Kin Sang

REMUNERATION COMMITTEE

LIM Wa
WONG Lung Tak, Patrick, J.P.
CHAN Kin Sang

REGISTERED OFFICE

Cricket Square
Hutchins Drive,
P. O. Box 2681,
Grand Cayman KY1-1111,
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDITORS

KPMG

LEGAL ADVISERS

As to Hong Kong law:
Squire, Sanders & Dempsey

As to China law:
Bastion Law Firm

PRINCIPAL BANKERS

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

In the China:
Industrial & Commercial Bank of China Zhenjiang Branch
Bank of Communications Zhenjiang Branch
Bank of Communications Tianjin Economic and Technological Development Area Branch
Agricultural Bank of China Tianjin Port Free Trade Zone Branch
Industrial & Commercial Bank of China Tianjin Port Free Trade Zone Branch
Bank of Jiangsu, Zhenjiang Branch

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House 68 Fort Street, P.O. Box 705
George Town, Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

CORPORATE INFORMATION

WEBSITE

http://chinaforce.etnet.com.hk

SHARE INFORMATION

Place of listing	:	Main board of The Stock Exchange of Hong Kong Limited
Listing date	:	12 October 2004
Stock code	:	1194
Board lot	:	2,000 Shares
Financial year end	:	31 December
Share price as at 31 December 2007	:	HK$0.265
Market capitalization as at 31 December 2007	:	HK$212,000,000

SHAREHOLDERS' REFERENCE

FINANCIAL CALENDAR

Closure of share registrar	30 May 2008 to 2 June 2008
Annual general meeting	2 June 2008

SHAREHOLDERS' ENQUIRY

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

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