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)

ANNUAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

The directors (the "**Directors**") of China Force Oil & Grains Industrial Holdings Co., Ltd. (the "**Company**") hereby announce the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2007, together with the comparative figures for the year ended 31 December 2006 as follows:–

CONSOLIDATED INCOME STATEMENT

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

		2007	2006
	Note	*'000*	*'000*
Turnover	*4*	**150,729**	329,320
Cost of sales		**(137,934)**	(320,898)
Gross profit		**12,795**	8,422
Other revenue	*5*	**5,122**	2,168
Other net income	*5*	**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	*6(a)*	**(2,907)**	(4,453)
Loss before taxation	*6*	**(18,830)**	(50,684)
Income tax	*7(a)*	**–**	(4,375)
Loss for the year from continuing operations		**(18,830)**	(55,059)
Discontinued operations			
Profit/(loss) for the year from discontinued operations	*8*	**154,588**	(268,325)
Profit/(loss) for the year		**135,758**	(323,384)
(Loss)/earnings per share from			
– 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

CONSOLIDATED BALANCE SHEET

at 31 December 2007 (Expressed in Hong Kong dollars)

	Note	**2007**	2006
		'000	*'000*
Non-current assets			
Fixed assets			
– 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		**746**	10,609
Long-term receivable	*12*	**46,300**	–
		139,988	116,764
Current assets			
Inventories		**4,315**	20,813
Trade and other receivables, deposits and prepayments	*12*	**41,568**	63,677
Other deposits		**11**	10
Cash and cash equivalents		**18,968**	9,769
		64,862	94,269
Non-current assets and assets of a disposal group classified as held for sale		**1,671**	504,790
		66,533	599,059
Current liabilities			
Trade and other payables	*13*	**72,615**	85,457
Amounts due to related companies		**763**	738
Bank loans		**40,193**	214,951
		113,571	301,146
Liabilities directly associated with assets of a disposal group classified as held for sale		**–**	472,465
		113,571	773,611
Net current liabilities		**(47,038)**	(174,552)
Total assets less current liabilities carried forward		**92,950**	(57,788)

	Note	2007 '000	2006 '000
Total assets less current liabilities brought forward		**92,950**	(57,788)
Non-current liabilities			
Long-term payable	*13(a)*	**17,164**	–
Loan from a related company		**11,011**	–
		28,175	–
NET ASSETS/(LIABILITIES)		**64,775**	(57,788)
CAPITAL AND RESERVES			
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)

NOTES TO THE FINANCIAL RESULTS

(Expressed in Hong Kong dollars)

1. STATEMENT OF COMPLIANCE

The annual results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31 December 2007 but are extracted from those financial statements.

The Group's consolidated 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. The consolidated 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.

2. 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 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.

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.

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;

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

(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.

3. 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.

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.

4. TURNOVER

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

Turnover represents the sales value of edible oils to customers net of value added tax and surcharges. The amount of each significant category of revenue recognised in turnover during the year 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 8)*		
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

5. OTHER REVENUE AND NET INCOME

	2007	2006
	'000	*'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 8)*		
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 8)*		
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

6. (LOSS)/PROFIT BEFORE TAXATION

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

	2007	2006
	'000	*'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	**279**	–
Discounting charges	**–**	6
	2,907	4,453
Discontinued operations: *(note 8)*		
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 8)*		
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

	2007	2006
	'000	*'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 8)*		
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

7. TAXATION

(a) Continuing operations:

(i) Taxation in the consolidated income statement represents:

	2007	2006
	'000	*'000*
Deferred tax		
Origination and reversal of temporary differences	**–**	4,375

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

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

(b) Discontinued operations: (note 8)

(i) Taxation in the consolidated income statement represents:

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

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

	2007	2006
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

(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 (note 16(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%

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.

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.

8. 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.

(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	*4*	**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	*5*	**345**	2,001
Other net income	*5*	**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		**28,714**	–
– disposal of subsidiaries		**80,420**	(13,349)
Finance costs	*6(a)*	**(16,427)**	(39,489)
Profit/(loss) before taxation	*6*	**154,588**	(224,454)
Income tax	*7(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)

9. DIVIDENDS

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

10. (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

(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.

11. 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.

	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	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	'000	*'000*	***'000***	*'000*	***'000***	*'000*	***'000***	*'000*	***'000***	***'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.

12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

Notes:

(a) Upon completion of the Share Transfer (note 8), the amount due from China Force (Tianjin) is unsecured and repayable as follows:

	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.

(b) Except as noted in (a) 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.

(c) Ageing analysis

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

	2007	2006
	'000	*'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.

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

	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.

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

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

	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

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.

13. TRADE AND OTHER PAYABLES

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

(a) 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.

(b) 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

14. 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.

(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

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.

(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.

15. 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.

16. 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 (together with the Pre-IPO Share Option Scheme collectively called the "Share Option Schemes") as defined in the Prospectus dated 28 September 2004 issued by the Company. 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.

(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. No adjustments have been made to the 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.

17. 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.

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.

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.

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.

DIVIDEND

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

ANNUAL GENERAL MEETING

The 2008 annual general meeting of the Shareholders will be held on Monday, 2 June 2008. A notice of the annual general meeting will be published and depatched to the Shareholders in due course as required by the constitutional document of the Company and the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

In order to qualify for attending the annual general meeting held on 2 June 2008, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Room 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on 30 May 2008.

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.

CORPORATE GOVERNANCE

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.

COMPLIANCE OF THE MODEL CODE FOR 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.

EXTRACT OF THE DRAFT INDEPENDENT AUDITOR'S REPORT ON THE GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

"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."

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Board has reviewed the consolidated financial statements for the year, including the accounting principles and accounting standards adopted by the Company, and discussed matters relating to auditing, internal controls and financial reporting.

AUDITORS

KPMG shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for reappointment.

PUBLICATION OF ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All information required by paragraphs 16 to 45 of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange as soon as practicable.

As at the date of this announcement, the executive Directors are Mr. LIM Wa and Mr. LAM Cham; and the independent non-executive Directors are Professor XIAO Zhuo Ji, Dr. WONG Lung Tak, Patrick, J.P. and Mr. CHAN Kin Sang.

By order of the Board of
China Force Oil & Grains Industrial Holdings Co., Ltd.
LIM Wa

Hong Kong, 25 April 2008

This announcement will be published on the website of the Stock Exchange at www.hkex.com.hk and on the website of the Company at http://chinaforce.etnet.com.hk.