Annual Report 2010

SOZO GLOBAL LIMITED

(Company Registration No.: 200608505W)
(Incorporated in Singapore under the Companies Act (Chapter 50) of Singapore)
(Malaysian Foreign Company Registration No.: 995221-H)
(Registered as a foreign company in Malaysia under the Companies Act, 1965 of Malaysia)

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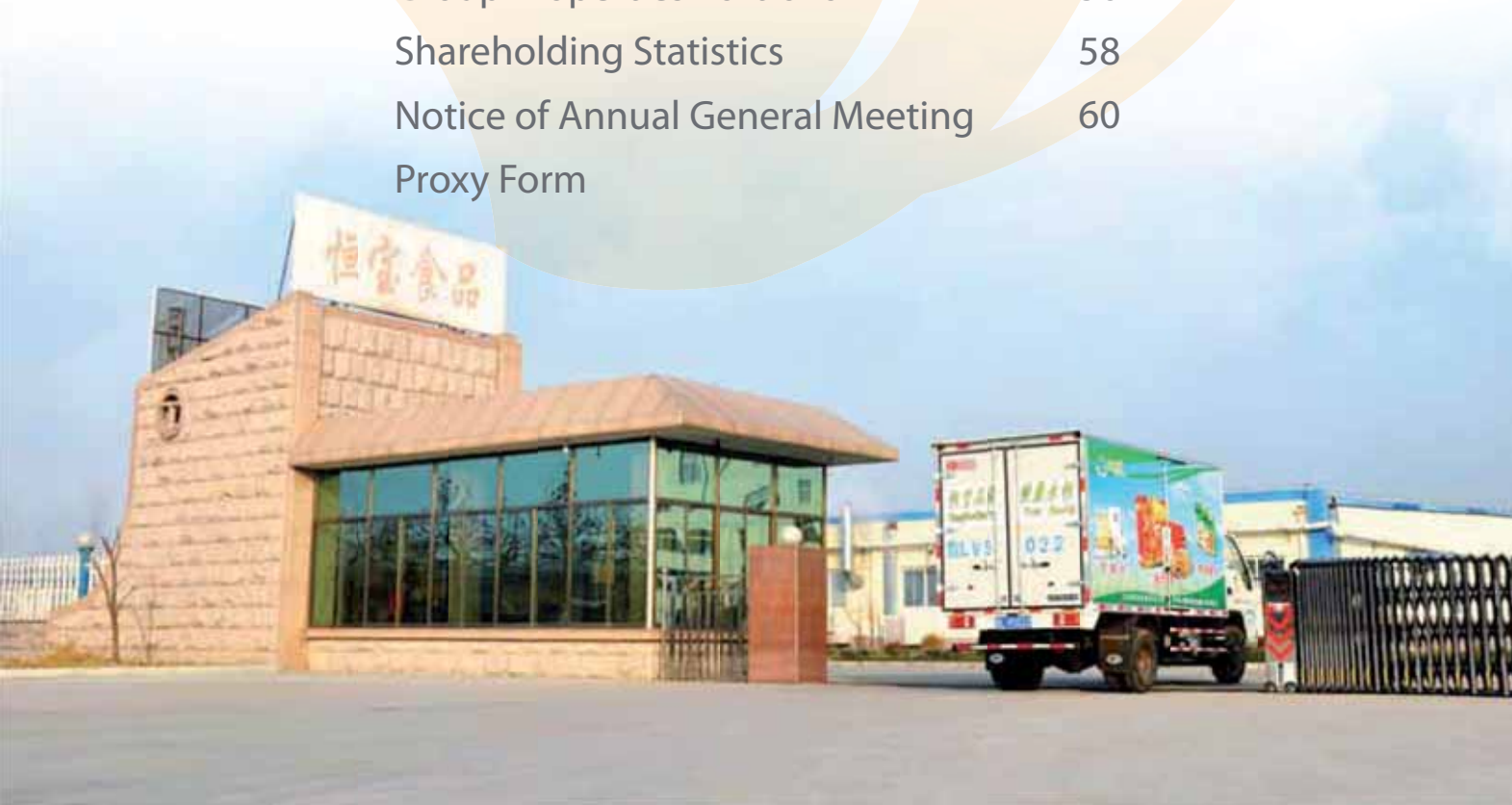


Board of Directors :

Shen Hengbao (申恒宝) - *Chief Executive Officer*
Meng Xiangzhen (孟祥贞) - *Executive Director*
Lee Yu Lian - *Non-Independent Non-Executive Director*
Tan Gim Hwee - *Independent Non-Executive Director*
Sun Shimin (孙世民) - *Independent Non-Executive Director*
Ching Leng Team - *Independent Non-Executive Director*
Poh Seng Hiap - *Independent Non-Executive Director*

Audit Committee :

Tan Gim Hwee - *Chairman*
(Independent Non-Executive Director)
Ching Leng Team - *Member*
(Independent Non-Executive Director)
Poh Seng Hiap - *Member*
(Independent Non-Executive Director)

Nomination Committee :

Sun Shimin - *Chairman*
(Independent Non-Executive Director)
Tan Gim Hwee - *Member*
(Independent Non-Executive Director)
Poh Seng Hiap - *Member*
(Independent Non-Executive Director)

Remuneration Committee :

Poh Seng Hiap – *Chairman*
(Independent Non-Executive Director)
Shen Hengbao – *Member*
(Chief Executive Officer)
Ching Leng Team – *Member*
(Independent Non-Executive Director)

Company Secretaries :

Ong Beng Hong, LLB (Hons)
Tan Swee Gek, LLB (Hons)

Agent in Malaysia :

Boardroom.com Sdn Bhd (820910-X)
Suite 10.03, Level 10
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia

Registered Office in Singapore :

80 Robinson Road, #17-02
Singapore 068898
Republic of Singapore
Telephone No.: + 65 6222 8008

Registered Office in Malaysia :

Suite 10.03, Level 10
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia
Telephone No.: + 6 (03) 2279 3080

Stock Exchange Listing :

Main Market of Bursa Malaysia Securities Berhad
(Listed since 17 December 2010)
Stock name: SOZO
Stock Code: 5187
Website: to be constructed

Head / Management Office :

No. 1, Juzhou Road
Ju County, Rizhao City
Shandong Province
PRC
Telephone No.: + 86 633 617 5066
Email: hengbao@hengbaofood.com
Website: www.hengbaofood.com

Auditors :

Paul Wan & Co
Public Accountants and Certified Public Accountants Singapore
(A Member Firm of Morison International)
10, Anson Road
#35-07 / 08 International Plaza
Singapore 079903
Partner in charge : Wan Tong Chee, Paul

Share Registrar in Malaysia :

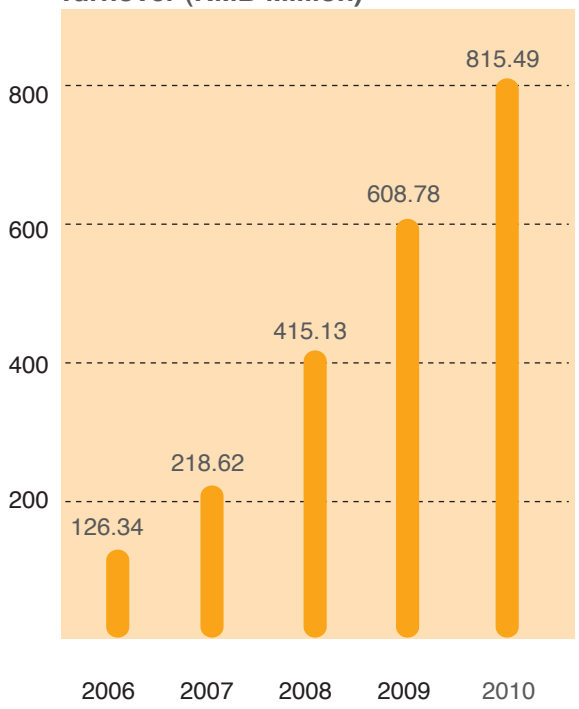
Symphony Share Registrars Sdn Bhd (378993-D)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor, Malaysia
Tel No.: 603-7841 8000
Fax No.: 603-78418151/8152

Principal Bankers :

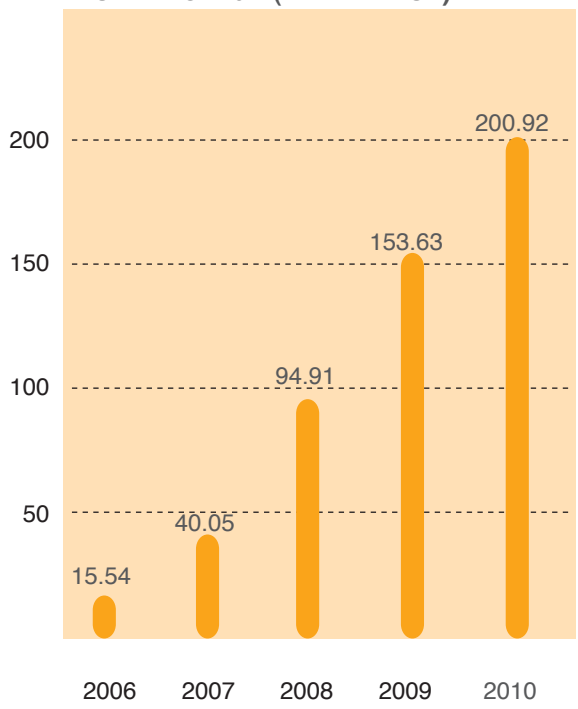
China Construction Bank Corporation
(Ju County Branch)
No. 25, Zhenxin Road
Ju County Shandong Province
PRC

Industrial and Commercial Bank of China Limited
(Ju County Branch)
No. 102, Fulai Middle Road
Ju County
Shandong Province
PRC

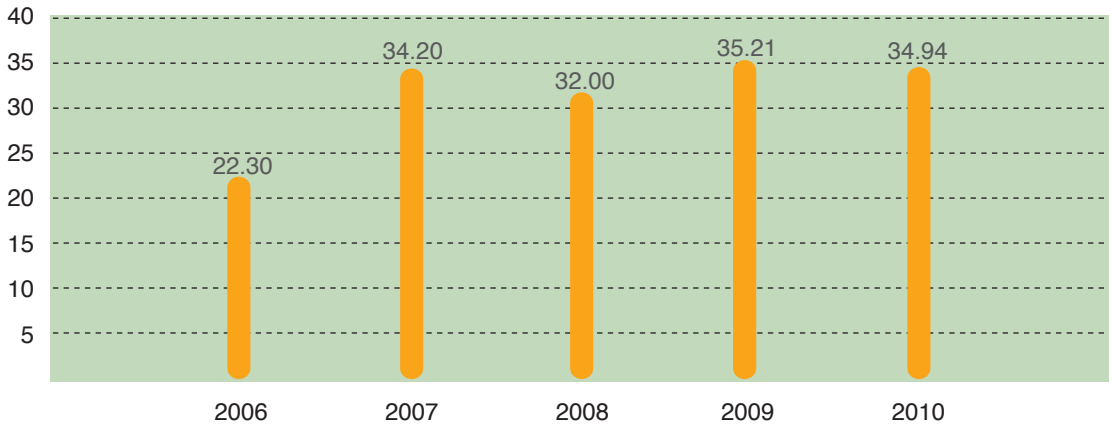
Turnover (RMB'Million)



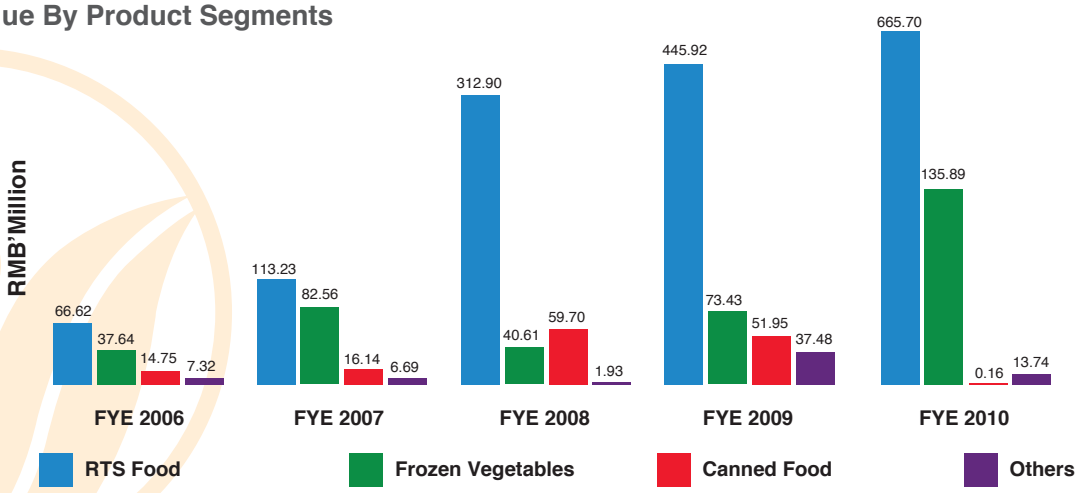
Profit After Tax (RMB'Million)

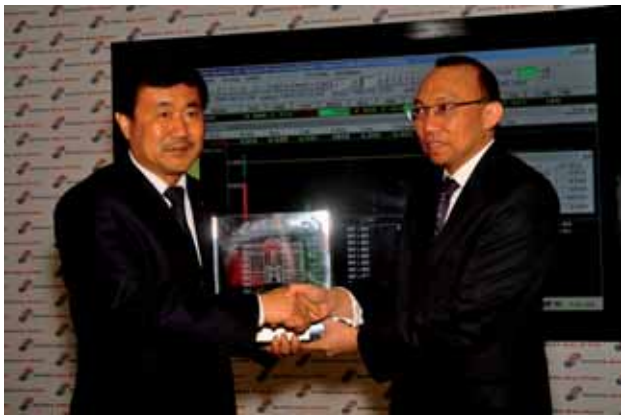


Gross Profit Margin (%)



Revenue By Product Segments





GLOBAL
LIMITED
ON THE
AIN Market

BURSA MALAYSIA

WELCOMES THE
LISTING OF

GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of Sozo Global Limited ("SOZO") and its Group for the financial year ended 31 December 2010 ("FYE 2010").

Business Environment

Industry studies have shown that the ready-to-serve ("RTS") foods industry and export revenue from Shandong Province are expected to achieve a compounded annual growth rate of approximately 13.0% and 12.3% respectively from 2009 to 2015. The Group expects that as consumers become more affluent, demand for high quality convenient food products, in particular, RTS food products will increase over time.

Business Review

With the higher utilization of the freezing capacity, the revenue of our Group's core products, duck RTS food products has recorded RMB265.12 million in FYE 2010, representing approximately one-third of the total revenue for the year. This is mainly contributed by the continuous effort from our new and existing customers by bringing our duck RTS food products to new markets.

Financial Highlights

Our revenue increased by approximately RMB206.71 million or approximately 33.95% from approximately RMB608.78 million in preceding year ended 31 December 2009 ("FYE 2009") to approximately RMB815.49 million in FYE 2010 mainly due to increase in sales of our RTS Food and frozen vegetables.

Furthermore, our Group recorded gross profit ("GP") and profit after taxation ("PAT") of approximately RMB284.94 million (RM133.35 million) and RMB200.92 million (RM94.03 million) respectively in FYE 2010, representing 32.94% and 30.78% growth as compare to FYE 2009.

Corporate Development

With the intention to tap into global Halal market, Sozo has entered into a Memorandum of Understanding ("MOU") with Halal Industry Development Corporation Sdn Bhd ("HDC") to co-operate with each other in certain activities towards promoting and developing Halal market for both parties in particularly to create investment opportunities, transfer knowledge and business matching.

Dividend

The Board of Directors recommended a First and Final dividend of 1.8 sen per ordinary share totaling RM8,424,000 in respect of FYE 2010. This dividend is subject to the shareholders' approval in the forth coming Annual General Meeting.

Future Prospects

The operating environment in the coming year remains challenging. The Group will still maintain its focus on capital expenditure investment with the intention to tap more market, both local as well as overseas market. In order to meet the challenges facing ahead, enhancing operational efficiency, innovative invention and stringent cost control remain the primary focus of the Group. We believe that with our effort, the future remains favourable.

Acknowledgement and Appreciation

On behalf of the Board of Directors, I wish to take this opportunity to thank all our shareholders, customers, suppliers and business associates for their continuous trust and supports in our Group.

Last but not least, I like to thank the Board members for their guidance, Management and staff for their dedication, loyalty and commitment to the Group in the past.

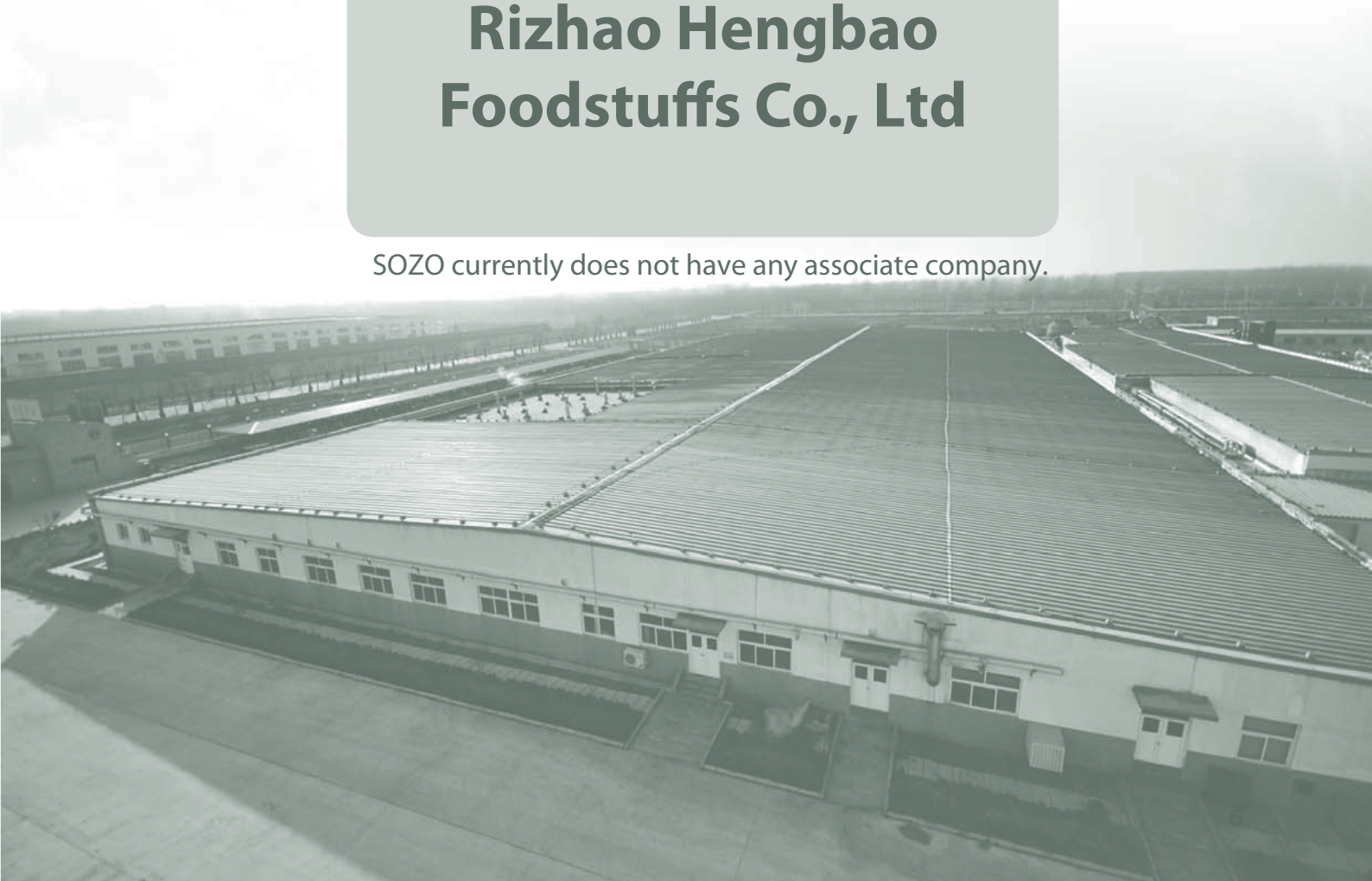
A diagrammatic representation of the organisation of the SOZO Group is shown below.

Sozo Global Limited

100%

Rizhao Hengbao Foodstuffs Co., Ltd

SOZO currently does not have any associate company.



Profiles of the Directors are as follows:

Shen Hengbao (申恒宝)

Shen Hengbao, a national of the People's Republic of China ("PRC") aged 49, was appointed as our Chief Executive Officer on 12 October 2009. Mr Shen is a member of the Remuneration Committee of the Company. He is the founder of the Group and has more than 25 years of experience in the PRC Food and Beverage (**"F&B"**) industry and export business. He has been spearheading the expansion and growth of our Group since the commencement of our Group's business in 2005.

He graduated from Linyi Agricultural Academy in 1982 and obtained a Masters in Business Administration from the Graduate School of the Chinese Academy of Social Sciences in 1998. He also obtained a Masters in Business Administration from the California American University in 2001.

He started his career with Ju County Foreign Trade Company (莒县外贸公司) in 1982 as the head of department of livestock obstetrics. He joined Ju County Foreign Trade Canned Food Factory (莒县外贸罐头厂) as factory manager in 1990 where he was put in-charge of the day-to-day management of the factory. In 1998, he joined Shandong Foodstuffs Import and Export Company (山东食品进出口公司), a provincial level state-owned enterprise based in Qingdao as its deputy general manager in-charge of overseeing and assisting in the management of several state-owned companies in the Shandong Province which were engaged in the manufacturing of foodstuffs for export and in particular, to Japan.

In 2005, he left Shandong Foodstuffs and founded Rizhao Hengbao together with Meng Xiangzhen and several other individuals. With the sales network and contacts he had accumulated in the course of his career (in particular those with major Japanese F&B companies), he successfully grew Rizhao Hengbao into a well-established F&B export company over a short time span.

Meng Xiangzhen (孟祥贞)

Meng Xiangzhen, a national of PRC, aged 44, was appointed as our Executive Director on 12 October 2009. She graduated with a degree in accounting from the Shandong Economics Academy (山东经济学院) in 1986.

She co-founded the Group with Shen Hengbao and has more than 20 years of experience in the PRC F&B industry and export business. She started her career as an accountant with Ju County Foreign Frozen Foodstuffs Factory in 1986. In 1989, she joined Ju County Shanfu Foodstuffs Co., Ltd. (莒县山孚食品有限公司) as the head of the accounts department. In 1998, she joined Shandong Foodstuffs Import and Export Company (山东食品进出口公司) as the head of the company's accounts department. In 1999, she re-joined Shanfu Foodstuffs as its deputy general manager where she established an invaluable network of contacts in the F&B industry, and gained valuable experience in managing F&B operations.

As our Executive Director, her main responsibilities include overseeing the day-to-day operations of Rizhao Hengbao.

Lee Yu Lian

Lee Yu Lian, a Malaysian, aged 41, was appointed as our Non-Independent Non-Executive Director on 15 September 2009. She holds a Bachelor of Laws Degree, LLB from the University of London.

She is currently the Managing Partner of Vida Partners, a private equity fund management firm that manages funds for institutions and corporations. In addition to her duties as Managing Partner of Vida Partners, Ms Lee is also actively involved in investment, fund raising and fund management activities.

Prior to joining Vida Partners in 2007, she was the Chief Operating Officer and Executive Director of a local private equity and venture capital company. She was one of the pioneers when she joined them in 1997 as an Investment Analyst. Prior to that, she was involved in corporate and commercial lending in two local banks. She had also served as a Director in a host of boards of private and public investee companies.

Tan Gim Hwee

Tan Gim Hwee, a Singaporean, aged 44, was appointed as our Independent Non-Executive Director on 12 October 2009. He is the Chairman of the Audit Committee of the Company and is also a member of the Nomination Committee of the Company. He is a Certified Public Accountant in Singapore and a member of the Institute of Certified Public Accountants of Singapore, a fellow member of the Association of Chartered Certified Accountants in United Kingdom and a member of the Singapore Institute of Directors.

He has more than 9 years of accounting and audit experience with professional accounting firms such as Ernst & Young and KPMG where he was responsible for a portfolio of audit clients ranging from listed companies to multinational companies and privately-held companies. In addition, he has more than 6 years of management experience in operations, finance and accounting with commercial organisations. He was a Chief Financial Officer of a company listed in Singapore for almost 5 years since 2006 where he left in April 2011. Currently, he is also a Chief Financial Officer of another company.

On 31 October 2007, he was charged with an offence under Section 67(1)(b) of the Road Traffic Act (Chapter 276) of Singapore after tested for driving under the influence of alcohol. The charge resulted in a fine and disqualification from driving for 12 months.

Sun Shimin (孙世民)

Professor Sun Shimin, a national of PRC, aged 49, was appointed as our Independent Non-Executive Director on 12 October 2009. He is the Chairman of the Nomination Committee of the Company. He obtained a Master in Engineering Project Management in 1996 from the College of Mechanical and Electronic Engineering of Shandong Agricultural University and subsequently in 2003, obtained a Doctorate in Economics and Management from China Agricultural University.

He has more than 25 years of lecturing and research experience in the agricultural field. He started his career in 1980 as an agricultural mechanisation and automation research assistant at the College of Mechanical and Electronic Engineering of Shandong Agricultural University and was a Researcher specialising in agricultural mechanisation from 1984 to 1996.

From 1996 to 2003, he was an assistant lecturer at the College of Economics and Management of China Agricultural University. He is currently a lecturer at the College of Economics and Management of China Agricultural University.

Ching Leng Team

Ching Leng Team, a Malaysian, aged 44, was appointed as the Independent Non-Executive Director on 14 July 2010. He is a member of the Audit Committee and the Remuneration Committee of the Company. He is a member of the Malaysian Institute of Accountants, a Fellow of the Association of Chartered Certified Accountants and an Associate of Chartered Tax Institute of Malaysia.

He started his career in accountancy in 1991 as an accounts assistant in a local trading company. In 1995, he joined a local accounting firm as an audit assistant where he worked for 6 years at his last position as a branch manager before he left in early 2001. Subsequently, in 2001, he joined KPMG Tax Services Sdn Bhd, Johor Bahru as a senior tax consultant. In 2002, he established his own audit firm and is currently the managing proprietor of LT Ching & Associates (AF 1447).

Poh Seng Hiap

Poh Seng Hiap, a Malaysian, aged 44, was appointed as the Independent Non-Executive Director on 14 July 2010. He is the Chairman of the Remuneration Committee and a member of both the Audit Committee and the Nomination Committee of the Company. He is a Chartered Accountant by profession and holds a Bachelor of Business (Accountancy) degree and a Master of Finance from the RMIT University in Melbourne, Australia. He is a member of the Malaysian Institute of Accountants.

He has more than 17 years of experience in the accounting and finance field where he was involved in strategic planning and operations in various industries. In the course of his career, he has thus far held various positions such as an accountant in an oil palm company and vice president of finance in an Indonesian-based company involved in the distribution of pharmaceutical products, and a head of finance in a Singapore-based property development company.

Note :

None of the Directors have any family relationship with any director and / or major shareholder of the company nor any conflict of interest with the company and none of the Directors have committed any offences within the past 10 years other than traffic offences, if any.

As part of the Group's Corporate Social Responsibility efforts towards its employees, the community and the environment where its businesses are conducted, the following activities are in place:

ENVIRONMENTAL CARE

The Group strictly complies with the environmental guidelines set by provincial and municipal governments for the discharge of pollutants. The Group has also obtained the Emission Permit issued by Environmental Protection Bureau of Ju County.

EMPLOYEE WELFARE

Efforts are in place for the provision of a conductive working environment for the workers and personnel, who are the driving force behind our growth and operational success.

The Group focuses on improving the quality and living standards of its employees and will continue monitoring the same, working towards the provision of providing our employees with a good and healthy environment under our care in the coming years.

OCCUPATIONAL SAFETY AND HEALTH AT THE WORK SITE

It is crucial to maintain high occupational safety and health standards for all employees and others at the work place. The Group is readily committed to improving its health and safety performance and conducting business in a socially responsible manner from time to time.

The Board of Directors (the **"Board"**) affirms its overall responsibility in ensuring that good corporate governance practises are in place throughout the Group in order to protect and enhance shareholders' interests and the performance of the Group. The Board endeavours to fully comply with the Malaysian Code on Corporate Governance (the **"Code"**) and to adopt the Best Practices as recommended by the Code to the best interest of the shareholders of the Group. The Board also fully subscribes and supports the relevant provisions in the Bursa Malaysia Securities Berhad **("Bursa Securities")** Listing Requirements.

A. DIRECTORS

The Board

The Group is led and controlled by an effective Board. The Board provides strategic directions for the Group and regularly meets to review corporate strategies, monitor the financial performance of the Group and resolve operational issues of the Group.

Board Balance

The Board currently comprises 7 directors of whom 2 are executive directors, 1 is a Non-Independent Non-Executive director and 4 are Independent Non-Executive directors, thereby meeting the minimum one-third requirement for independent directors to be appointed to the Board as required under the Listing Requirements (**"LR"**) of Bursa Malaysia Securities Berhad **("Bursa Securities")**. The profile of each of the Directors is available at pages 7 to 9 of this Annual Report. The combination of professionals with diverse and varied backgrounds and wealth of experience and expertise in finance and corporate affairs also enables the Board to discharge its responsibilities effectively and efficiently.

There is a clear segregation of duties between the Chief Executive Office of the Company (the **"CEO"**) and the Executive Director **("ED")** to ensure that there is always a balance of power and authority. Essentially, the CEO has the obligation to preside at various meetings, namely the shareholders' general meetings and the Board and Audit Committee meetings in order to address issues to be highlighted by and to members independently and separately, the ED has the responsibility to manage the day-to-day business operations of the Group by ensuring that strategies, policies and matters approved by the Board and other committees are implemented diligently.

There is also a balance in the Board with the presence of the Independent Non-Executive Director of the necessary calibre and experience to make informed decisions at Board meetings. Although all the Directors have equal responsibility for the Group's operations, the Independent Non-Executive Directors are particularly important in safeguarding the interests of the Group, the shareholders, the employees and the communities in which the Group conducts its business by rendering independent views and advice.

Directors' Training

Ms Lee Yu Lian, Mr Tan Gim Hwee, Mr Ching Leng Team and Mr Poh Seng Hiap have attended and successfully completed the Mandatory Accreditation Programme (**"MAP"**). The remaining Directors will be attending the MAP in the near future. In addition, seminars and conferences organised by Bursa Securities, the relevant regulatory bodies and professional bodies on areas pertinent to the Directors' discharge of duties to the Group are also communicated to the Board for their consideration and participation at such seminars and conferences where possible.

In accordance to the provisions of the LR of Bursa Securities, all Directors are encouraged to attend the continuing education programmes on *inter-alia* rules and regulations in Malaysia, risk management, corporate governance and updates on regulatory issues.

Supply of information

The Company Secretary or a representative from the Company Secretary's office will attend all Board meetings and Committee meetings and is responsible for the proper maintenance of records of the Board and Committee meetings and records of discussions on key deliberations and decisions taken.

All Directors have access to all information within the Group. In addition, the Company Secretary renders necessary assistance to the Board and ensures meeting procedures are followed and the applicable laws and regulations are complied with.

Under the direction of the CEO, the Company Secretary's responsibilities include ensuring good information flows within the Board and its Committees and between senior management and Non-executive Directors, as well as facilitating orientation and assisting with professional development as required.

Where necessary, the Directors may engage independent professionals at the Group's expense on specialised issues to enable the Directors to discharge their duties with adequate knowledge on the matters deliberated.

Board Committees

The Board has established the following Committees to assist them in the discharge of their duties. The Committees operate under approved terms of references or guidelines.

- **Audit Committee**
  The terms of the Audit Committee and its activities during the financial year are outlined under the Audit Committee Report in pages 16 to 18 of this Annual Report.

- **Remuneration Committee**
  The Remuneration Committee meets when required and is entrusted, among others, with examining the remuneration packages and other benefits of the Executive Directors. The contribution, responsibilities and performance of each Executive Director is taken into account when determining their respective remuneration packages.

  However, the ultimate responsibility to approve the remuneration of these Directors remains with the Board as a whole. The Executive Directors is not involved in any decisions with regard to their own remuneration.

  The Remuneration Committee is composed mainly of Non-Executive Directors as follows:-

  Poh Seng Hiap – Chairman
  (Independent Non-Executive Director)
  Shen Hengbao – Member
  (Chief Executive Officer)
  Ching Leng Team – Member
  (Independent Non-Executive Director)

- **Nomination Committee**
  The role of the Nomination Committee is to recommend the candidates who have an optimal mix of qualifications, skills and experiences, including core competencies to the Board. The Nomination Committee is required to evaluate the effectiveness of the Board, each Committee of the Company and also to assess the contribution of each Director in relation to the effectiveness of the Board's decision-making process on an annual basis.

  The Nomination Committee may, as it deems fit, call for any appropriate person(s) to be in attendance to make presentations or furnish or provide independent advice to the Nomination Committee on any matters within the scope of responsibilities.

  The Nomination Committee is composed exclusively of the following Independent Non-Executive Directors: -

  Sun Shimin
  (Independent Non-Executive Director)
  Tan Gim Hwee
  (Independent Non-Executive Director)
  Poh Seng Hiap
  (Independent Non-Executive Director)

Appointment to the Board

Prior to the appointment of a Director, the Nomination Committee will recommend the candidate's appointment to the Board by submitting the nomination for the Board's deliberation and approval. In assessing each candidate, the Nomination Committee will take into consideration the candidate's skills-sets expertise, experience and potential contributions as a potential director.

Re-election of Directors

In accordance with the Company's Articles of Association, one-third (1/3) of the Directors shall retire by rotation from office at every Annual General Meeting (**"AGM"**) and they shall be eligible for re-election at such AGMs. The Directors to retire shall be the Directors who have been serving in office for the longest duration since their appointment or last re-election.

Board Meetings

Board Meetings are held at quarterly intervals with additional meetings convened for particular matters, when necessary to deliberate and approve the financial results of the Group, corporate plans, acquisition and disposal of assets, investment proposals and other pertinent issues. The notices of the meetings are circulated to the Board at least two (2) days before the meeting.

The proceedings and resolutions concluded at each Board Meeting are recorded in the minutes of the meetings, which are kept in the Minutes Book at the Company's registered office in Singapore.

Apart from the proceedings at Board Meetings, the Board exercises control on matters that require the Board's approval through circulation of Directors' resolutions as well.

The Board has held 2 meetings for the financial year ended 31 December 2010 and the summary of attendance at the Board meetings is as follows:-

Name of Directors	Attendance	Percentage of Attendance
Shen Hengbao (申恒宝)	2/2	100%
Meng Xiangzhen (孟祥贞)	2/2	100%
Lee Yu Lian	2/2	100%
Tan Gim Hwee	1/2	50%
Sun Shimin (孙世民)	0/2	0%
Ching Leng Team	2/2	100%
Poh Seng Hiap	2/2	100%

B. REMUNERATION OF DIRECTORS

Details of Directors' remuneration are set out below.

(a) Aggregate remuneration of Director categorised into appropriate components.

	Fee RMB	Salary & *Other Emoluments RMB	Total RMB
Executive Director	35,862	105,450	141,312
Non-Executive Director	89,654	--	89,654

*Other emoluments include Company's contribution to the staff unemployment fund and staff retirement fund.

(b) The remuneration paid to Directors during the year, analysed into bands of RM50,000, which is in compliance with the disclosure requirements under Bursa Malaysia Listing Requirements are as follows:-

Range of Remuneration	Number of Directors Executive	Number of Directors Non-Executive
Up to RM50,000	2	5
RM50,001 – RM100,000	-	-
RM100,001 – RM150,000	-	-
RM150,001 and above	-	-

The remuneration of an Executive Director is linked to corporate and individual performance. The remuneration of Non-Executive Directors is related to their experiences and level of responsibilities and is subject to the shareholders' approval.

C. SHAREHOLDERS

Dialogue between Company and Investors

The Board recognises the importance of keeping the shareholders informed and updated of development concerning the Group. In this regard, the Group strictly adheres to the disclosure requirements of Bursa Malaysia and the Malaysian Accounting Board. The Group practices open communication with its investors.

In its efforts to promote effective communication, the Board recognises that timely and equal dissemination of consistent and accurate information are provided to them through public announcements made throughout the year to Bursa Securities. The Company's Annual Report, circulars and financial results are dispatched on a quarterly basis to the shareholders to provide an overview of the Group's business activities and performances. The Share Registrar is available to attend to administrative matters relating to shareholder interests.

Annual General Meeting

The AGM is the principal forum for dialogue with the shareholders. The shareholders will be given sufficient notice of the holding of the AGM through the Annual Report that is sent to them. At the AGM, the Board will present to the shareholders with a comprehensive report on the progress and performance of the Group and the shareholders are encouraged to participate in the questions and answers session thereat, where they will be given the opportunity to raise questions or seek more information during the AGM.

D. ACCOUNTABILITY AND AUDIT

Financial Reporting

In preparing the annual financial statements and quarterly announcement of results to shareholders, the Board has always strived to present a balanced and understandable assessment of the Group's position and prospects to the shareholders.

In the preparation of the annual financial statements and quarterly announcement of results, the Directors would have taken the necessary steps to ensure that the Group had used all the applicable accounting policies consistently and that these are supported by reasonable and prudent judgements and estimates.

The Board is assisted by the Audit Committee in the overseeing of the Group's financial reporting processes and the quality of its financial reporting.

Internal Control

The Board affirms the importance of sound internal control and risk management practices to safeguard shareholders' investments, customers' interest and the Group's assets. In order to improve internal controls within the Group, the Board will be appointing an independent professional firm to carry out the internal audit function for the Group.

The information on the Group's internal control is further elaborated in page 15 on the Internal Control Statement of this Annual Report.

Relationship with the External Auditors

The Board has appropriately established a formal and transparent relationship with the Group's external auditors. The role of the Audit Committee in relation to the external auditors can be found in the Audit Committee Report as set out in pages 16 to 18 of this Annual Report.

1. Introduction

The Malaysian Code of Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets. This statement on Internal Control is made in compliance with paragraph 15.26(b) of the Bursa Malaysia Securities Berhad (**"Bursa Securities"**) Listing Requirements.

2. Board Responsibility

The Board acknowledges its responsibilities to maintain a sound system of internal control and risk management and to review its adequacy and integrity.

It should be noted, however, that the system of internal control is designed to manage rather than eliminate the risk of failure to achieve the Group's business objectives. In pursuing these objectives, this system can only provide reasonable, and not absolute, assurance against material misstatement or loss.

3. Risk Management

The Board recognises the need for effective risk management and to maintain a sound system of internal control. The Board has not adopted a formal risk management framework, and the Directors will identify, evaluate and adopt risk mitigation measures on a continuous basis.

4. System of Internal Control

The Board is committed to maintaining a sound internal control structure to govern the manner in which the Group and its employees conduct themselves. The key elements of controls are:-

(i) the responsibilities of the Board and the management are clearly defined in the organisational structure to ensure the effective discharge of the roles and responsibilities of the parties in overseeing the conduct of the Group's business;

(ii) the formation of operational policies and procedures by the management with a view to establishing group wide operational standards in order for all operating units to work cohesively towards achieving the business objectives of the Group. For accounting systems and financial processes, efforts are being taken to ensure consistency in the Group as a whole;

(iii) frequent on-site visits to the operating units by senior management so as to acquire a first-hand view on various operational matters and to address the issues accordingly;

(iv) the Board gathers and reviews key financial and operating statistics from time to time and constantly keeps track and monitor the achievement of the Group's performance;

(v) a detailed budgeting process where operating units prepare budgets for the coming year;

(vi) regular visits by the internal auditor (when the same is appointed) which will provide added independent assurance on the effectiveness of the Group's system of internal control and advising the management on the areas requiring further improvement;

(vii) the Audit Committee reviews on a quarterly basis of the quarterly unaudited financial results to monitor the Group's progress towards achieving the Group's business objectives. Authority is given to the Audit Committee members to investigate and report on any areas of improvement for the betterment of the Group; and

(viii) regular interactive meetings between the external and internal auditors (upon the finalization of the appointment of the internal auditors) to identify and rectify any weakness in the system of internal controls. The Board would be informed of any matters brought up in the Audit Committee meetings on a timely basis.

5. Board Conclusion

The Board has identified several independent professional firms to be appointed as the internal auditor to carry out the internal audit function for the Group. The Board is in the midst of finalising the appointment.

COMPOSITION OF AUDIT COMMITTEE

In compliance with paragraph 15.09 of the Listing Requirements of the Bursa Malaysia Securities Berhad (**"Bursa Securities"**), the Audit Committee comprises 3 directors, who are Independent Non-Executive Directors.

Chairman
Tan Gim Hwee
(Independent Non-Executive Director)

Members
Ching Leng Team
(Independent Non-Executive Director)

Poh Seng Hiap
(Independent Non-Executive Director)

TERMS OF REFERENCE

The terms of reference of the Audit Committee are as follows:-

1. Membership

(i) The Audit Committee shall be appointed by the Board.

(ii) It shall comprise at least 3 members of whom must be non-executive directors, with a majority of them being Independent Directors.

(iii) The Chairman of the Audit Committee shall be appointed by the Audit Committee amongst the members of the Audit Committee themselves.

(iv) If the number of members is reduced to below 3 as a result of resignation or death of a member, or for any other reason(s), the Audit Committee shall, within 3 months of that event, appoint amongst such other directors, a new member to make up the minimum number required herein.

(v) At least 1 member of the Audit Committee:

(a) must be a member of the Malaysian Institute of Accountants (**"MIA"**); or

(b) if he/she is not a member of the MIA, he/she must have at least 3 years working experience and:-

- he/she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or

- he/she must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.

(c) must possess such qualifications as may from time to time be prescribed by the Bursa Malaysia.

(vi) An alternate director is not eligible for membership in the Audit Committee.

2. Authority

The Audit Committee is authorised by the Board to investigate any activity within its Terms of Reference. The Audit Committee shall have unlimited access to both the internal auditors and external auditors as well as all employees of the Group. The Audit Committee shall also have the authority to obtain independent legal or other professional advice and to secure attendance of outsiders with relevant experience and expertise if it considers this necessary.

3. Duties and Responsibilities

(i) To review with the internal auditor their audit plans, the reports and the system of internal control.

(ii) To review the adequacy of scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work.

(iii) To review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.

(iv) To review the assistance and cooperation given by the Company's management to the external auditor and internal auditor.

(v) To review the plans of the external auditor of the Company, and their reports arising from the audit.

(vi) To review the cost effectiveness, independence and objectivity of the external auditor

(vii) To review the nature and extent of non-audit services provided by the external auditor

(viii) To review the quarterly unaudited condensed financial statements and the year end financial statements of the Group before submission to the Board, focusing particularly on:-

- any changes in accounting policies and practices;
- any significant and unusual results or events; and
- compliance with accounting standards and other legal requirements.

(ix) To review any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity.

(x) To review with the external auditor their audit report, management letter and Management's response.

(xi) To recommend to the Board the appointment or reappointment of the external auditor and internal auditor, audit fee, and where applicable, their resignation and dismissal

(xii) To undertake such other responsibilities as may be agreed to by the Committee and the Board of Directors.

4. Meetings

(i) The Audit Committee shall hold at least 5 meetings a year and such additional meeting(s) as the Chairman of the Audit Committee shall decide in order to fulfill its duties.

(ii) Apart from the members of the Audit Committee who will be present at the meetings, the Audit Committee may invite any member of the Board of Directors, the Management, staff and representatives of the external auditor and internal auditor to be present at the meeting of the Audit Committee.

(iii) A quorum shall consist of 2 members. The majority of members present must be Independent Non-Executive Directors.

(iv) Notices of not less than 2 working days shall be given for the calling of any meeting to members.

(v) Matters raised and tabled at all meetings shall be decided by a majority of votes of the members.

(vi) A resolution in writing, signed by all the members shall be as valid and effective as if it had been deliberated and decided upon at a meeting of the Audit Committee.

(vii) Proceedings of all meetings held and resolutions passed as referred to in clause above shall be recorded by the Company Secretary and kept at the Group's registered office.

(viii) Every member of the Board shall have the right at any time to inspect the minutes of all meetings held and resolutions passed by the Audit Committee and the reports submitted thereat.

(ix) The external auditors shall have the right to attend and be heard at any meeting and shall attend before the Audit Committee when so required by the Audit Committee.

(x) Upon the request of the external auditors, the Chairman shall convene a meeting to consider any matters that the external auditors recommend should be brought to the attention of the Directors or shareholders of the Company.

(xi) The Audit Committee shall meet with the external auditors at least once in a financial year without presence of the executive board members of the Group.

DETAILS OF MEETINGS HELD

After the Company's listing on Bursa Securities on 17 December 2010, 2 Audit Committee meetings have been held on 24 February 2011 and 21 March 2011, respectively.

Meeting Attendance

Members	Attendance
Tan Gim Hwee – *Chairman*	1 out of 2
Ching Leng Team – *Member*	2 out of 2
Poh Seng Hiap – *Member*	2 out of 2

SUMMARY OF ACTIVITIES

The main activities that were undertaken by the Audit Committee in the preceding year include the following: -

(i) Review the quarterly unaudited financial results of the Group and the annual audited financial statements prior to the Board of Directors' approval and subsequence announcement;

(ii) Review the Corporate Governance Statement, Audit Committee Report and Statement of Internal Control of the Group for the purpose of inclusion in the Annual Report;

(iii) Review the auditor' reports and any management letter issued by the auditor and the management response;

(iv) There is no related party transactions noted except as disclosed in Notes 25 of the Notes to the Financial statement;

(v) Met once with the external auditor, without the presence of the Company's management; and

(vi) The AC recommends to the Board the re-appointment of Paul Wan & Co as the external auditor of the Company at the forthcoming Annual General Meeting.

INTERNAL AUDIT FUNCTION

The Group will outsource its internal audit function to an independent professional firm, which shall assist the Audit Committee in discharging its duties and responsibilities. The internal auditors' main responsibilities are to report to the Audit Committee on the improvement of the organisation's management controls, records, accounting policies, as well as on the identification and management of significant risks.

Besides that, the internal audit functions also include (among others) the review of the compliance with established procedures, guideline and statutory requirements as well as assessing the efficiency of the Group's operations.

Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

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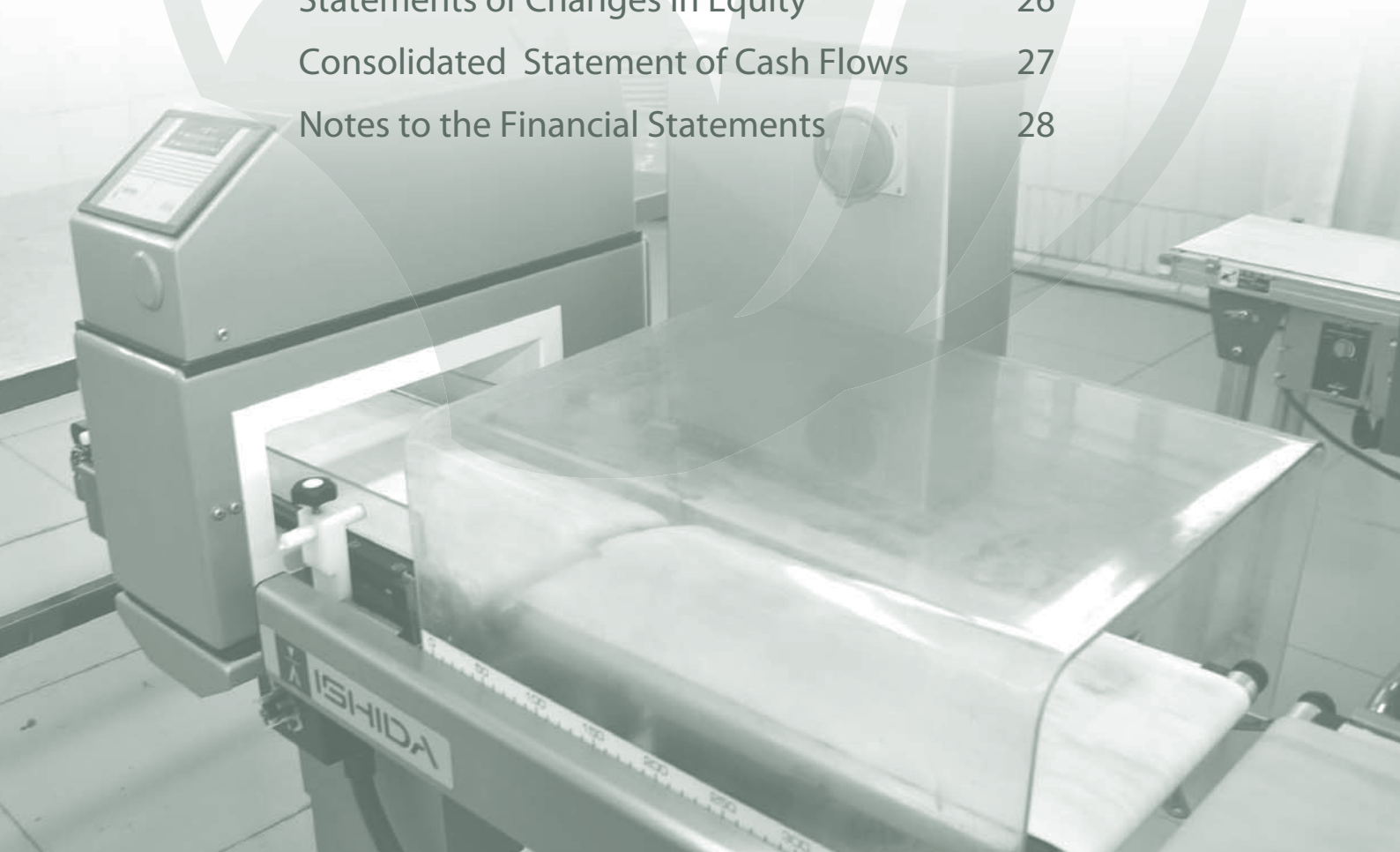

The Directors present their report to the members together with the audited financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company for the financial year ended 31 December 2010.

1. DIRECTORS

The Directors of the Company in office at the date of this report are as follows:

Shen Hengbao
Meng Xiangzhen
Lee Yu Lian
Sun Shimin
Tan Gim Hwee
Ching Leng Team (Appointed on 14 July 2010)
Poh Seng Hiap (Appointed on 14 July 2010)

2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the Directors of the Company to acquire benefits by means of the acquisitions of shares in, or debentures of, the Company or any other body corporate.

3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the register of director's shareholdings, none of the Directors holding office at the end of the financial year had any interests in the shares or debentures of the Company or its related corporations except as follows:

	Shareholdings registered in the name of director		Shareholdings in which director is deemed to have an interest	
	At 31.12.2010	At 01.01.2010 or date of appointment if later	At 31.12.2010	At 01.01.2010 or date of appointment if later
The Company				
Number of ordinary shares				
Shen Hengbao	-	-	267,202,000	3,000,000
Lee Yu Lian	-	-	48,805,540	-
Immediate Holding Company				
Hengbao Foodstuffs Holding Limited				
Number of ordinary shares				
Shen Hengbao	648	648	-	-
Meng Xiangzhen	149	149	-	-

Mr Shen Hengbao, by virtue of the provision of Section 7 of the Singapore Companies Act, is deemed to be interested in the whole of the issue share capital of the wholly-owned subsidiary, Rizhao Hengbao Foodstuffs Co., Ltd.

4. DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with, the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for salaries, bonus and other benefits as disclosed in the financial statements.

5. SHARE OPTIONS

(i) During the financial year, no option to take up unissued shares of the Company or any corporation in the Group was granted.

(ii) During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

(iii) At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

6. AUDIT COMMITTEE

In compliance with paragraph 15.10 of the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities"), the Audit Committee comprises 3 directors, who are Independent Non-Executive Directors.

Tan Gim Hwee - Chairman
Ching Leng Team - Member
Poh Seng Hiap - Member

The Audit Committee has held 2 meetings since the listing of the Company. The primarily duties and reponsibilites of the Audit Committee are as follows:

(i) To meet and discuss with internal auditors and external auditors their scope of work, the result of their examination, and evaluation;

(ii) To review quarterly financial result announcement and annual financial statement; and

(iii) To review interested party transactions.

The Audit Committee is authorized by the Board to investigate any activity within its Terms of Reference. The Audit Committee has unlimited access to both internal auditors and external auditors as well as all employees of the Group. The Audit Committee shall also have the authority to obtain independent legal or other professional advice and to secure attendance of outsiders with relevant experience and expertise if it considers this necessary.

The Audit Committee recommends to the Board of Directors the nomination of Paul Wan & Co. for re-appointment as external auditors of the Group at the forthcoming Annual General Meeting of the Company.

7. INDEPENDENT AUDITOR

The independent auditor, Paul Wan & Co., a member firm of Morison International, has expressed its willingness to accept re-appointment.

On behalf of the directors

Shen Hengbao
Director

Meng Xiangzhen
Director

SINGAPORE
22 March 2011

In the opinion of the Directors,

(i) the consolidated financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company as set out on pages 24 to 53 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010 and of the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year then ended; and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Signed on behalf of the Board in accordance with a resolution of the Directors.

Shen Hengbao
Director

22 March 2011

Meng Xiangzhen
Director

22 March 2011

STATUTORY DECLARATION

Pursuant to Paragraph 9.27 of the Main Market Listing Manual Requirements of Bursa Malaysia Securities Berhad

I, Mr Pang Wei Pin, being the officer primarily responsible for the financial management of Sozo Global Limited, do solemnly and sincerely declare that the accompanying financial statements set out on pages 24 to 53 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declaration Act, 1960.

Subscribed and solemnly declared by the above mentioned
at Malaysia on 22 March 2011

Pang Wei Pin

Before me

Commissioner for Oaths

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Sozo Global Limited (the "Company") and its subsidiary (the "Group") set out on pages 24 to 53, which comprise the statements of financial position of the Group and the Company as at 31 December 2010, the statements of changes in equity of the Group and the Company, the consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and International Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 management, 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.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provision of the Act, International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010 and of the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

PAUL WAN & CO
Partner in Charge – Wan Tong Chee, Paul
Public Accountants and
Certified Public Accountants, Singapore
A Member Firm of Morison International

SINGAPORE
22 March 2011

	Note	The Group 2010 RMB'000	The Group (Restated) 2009 RMB'000
Revenue	4	815,494	608,775
Cost of sales		(530,557)	(394,446)
Gross profit		284,937	214,329
Other operating income	5	1,298	1,801
Selling and distribution expenses		(1,431)	(1,412)
General and administrative expenses		(10,340)	(7,588)
Other operating expenses	6	(2,949)	(637)
Finance costs	7	(667)	(260)
Profit before tax		270,848	206,233
Income tax expense	8	(69,924)	(52,601)
Profit after tax	9	200,924	153,632
Other comprehensive income, net of tax:			
Fair value adjustments, net of tax		-	8,237
Total comprehensive income for the year		200,924	161,869
Earnings per share - Basic (RMB cents)	10	59.49	51.21
Earnings per share - Dilute (RMB cents)	10	59.49	51.21

The accompanying notes form an integral part of these financial statements.

	Note	The Group			The Company	
		31 Dec 2010 RMB'000	31 Dec 2009 RMB'000	1 Jan 2009 RMB'000	31 Dec 2010 RMB'000	31 Dec 2009 RMB'000
ASSETS						
Non-current assets						
Property, plant and equipment	11	55,356	58,370	42,637	-	-
Construction in progress	12	7,237	6,475	15,260	-	-
Investment in subsidiary	13	-	-	-	130,599	51,989
Intangible assets	14	13,848	14,174	14,501	-	-
Total non-current assets		76,441	79,019	72,398	130,599	51,989
Current assets						
Inventories	15	7,636	6,514	2,733	-	-
Trade and other receivables	16	67,933	47,474	52,964	23,100	12,256
Amount due from a subsidiary	17	-	-	-	541	541
Cash and cash equivalents	18	563,603	290,952	124,175	11,393	10,457
Total current assets		639,172	344,940	179,872	35,034	23,254
TOTAL ASSETS		715,613	423,959	252,270	165,633	75,243
EQUITY/(CAPITAL DEFICIENCY) AND LIABILITIES						
Capital and reserves						
Share capital	19	146,161	152	21,952	146,161	152
Reserves	20	61,273	40,489	16,554	-	-
Retained earnings/ (accumulated losses)		430,420	250,280	112,346	15,691	(2,997)
Total equity/(capital deficiency)		637,854	290,921	150,852	161,852	(2,845)
Non-current liability						
Borrowings	21	14,436	13,769	-	-	-
Total non-current liability		14,436	13,769	-	-	-
Current liabilities						
Trade and other payables	22	43,978	33,268	68,142	3,781	3,862
Borrowings	21	-	74,226	25,211	-	74,226
Income tax liabilities		19,345	11,775	8,065	-	-
Total current liabilities		63,323	119,269	101,418	3,781	78,088
TOTAL EQUITY/ (CAPITAL DEFICIENCY)/ AND LIABILITIES		715,613	423,959	252,270	165,633	75,243

The accompanying notes form an integral part of these financial statements.

The Group

	Share capital (Note 19) RMB'000	Statutory reserves (Note 20) RMB'000	Fair value adjustments reserves (Note 20) RMB'000	Retained earings RMB'000	Total equity RMB'000
At 1 January 2009 (restated)	21,952	16,554	-	112,346	150,852
Acquisition of subsidiary	(21,800)	-	-	-	(21,800)
Total comprehensive income for the year	-	-	8,237	153,632	161,869
Transfer to reserves	-	15,698	-	(15,698)	-
At 31 December 2009 (restated)	152	32,252	8,237	250,280	290,921
Issuance of new shares pursuant to initial public offering	146,009	-	-	-	146,009
Total comprehensive income for the year	-	-	-	200,924	200,924
Transfer to reserves	-	20,784	-	(20,784)	-
At 31 December 2010	146,161	53,036	8,237	430,420	637,854

The Company

	Share capital RMB'000	(Accumulated losses)/retain earnings RMB'000	Total equity RMB'000
At 1 January 2009	152	302	454
Total comprehensive loss for the year	-	(3,299)	(3,299)
At 31 December 2009	152	(2,997)	(2,845)
Issuance of new shares pursuant to initial public offering	146,009	-	146,009
Total comprehensive income for the year	-	18,688	18,688
At 31 December 2010	146,161	15,691	161,852

The accompanying notes form an integral part of these financial statements.

	Note	The Group 2010 RMB'000	The Group (Restated) 2009 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		270,848	206,233
Adjustments for:			
Depreciation	11	4,374	3,489
Amortisation		326	327
Unrealised loss on exchange difference		-	1,337
Allowance for impairment loss of property, plant and equipment		585	-
Interest expense		667	260
Interest income		(1,287)	(381)
OPERATING PROFITS BEFORE WORKING CAPITAL CHANGES		275,513	211,265
In inventories		(1,122)	(3,781)
In trade and other receivables		(20,459)	5,490
In trade and other payables		10,710	(34,874)
Cash from operations		264,642	178,100
Income tax paid		(62,354)	(48,891)
Interest received		1,287	381
Net cash generated from operating activities		203,575	129,590
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,945)	(962)
Payment of construction in progress		(762)	(9,475)
Net cash used in investing activities		(2,707)	(10,437)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	79,478
Repayment of borrowings		-	(10,000)
Payment to ex-shareholder for acquisition of subsidiary company		-	(21,800)
Net proceeds from issue of new shares pursuant to initial public offering		71,783	-
Interest paid		-	(54)
Net cash generated from financing activities		71,783	47,624
NET INCREASE IN CASH AND CASH EQUIVALENTS		272,651	166,777
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		290,952	124,175
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	18	563,603	290,952

The accompanying notes form an integral part of these financial statements.

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL

The Company was incorporated in Republic of Singapore on 12 June 2006 under the name of Sozo Energy Capital Pte Ltd and changed its name to Sozo Global Pte Ltd on 6 October 2006. On 27 October 2009, the Company was converted into a public limited company and the consequential change of its name to "Sozo Global Limited". The Company listed on Main Market of Bursa Malaysia Securities Berhad on 17 December 2010.

The registered office of the Company is located at 80 Robinson Road, #17-02, Singapore 068898. The principal place of business of the Group is located at 1 Juzhou Road, Ju County, Rizhao City, Shandong Province, People's Republic of China. The registered office of the Company in Malaysia is located at Suite10.03, level 10 The Garden South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia.

The immediate and ultimate holding company of the Company is Hengbao Foodstuffs Holding Limited, a company incorporated in British Virgin Island.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiary are those of manufacturing and producing various types of foods.

The consolidated financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company for the financial year ended 31 December 2010 were authorised for issue in accordance with a resolution of the Directors on the date of the Statement by Directors.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The consolidated financial statements are prepared on a historical cost convention except as disclosed in the accounting policies below, and are drawn up in accordance with the provision of International Financial Reporting Standards (IFRS) including related interpretations promulgated by the International Accounting Standard Board.

The Group's principal operations are conducted in the PRC and thus the financial statements are prepared in Chinese Renminbi ("RMB"), being the measurement and presentation currency of the Group. All values are rounded to the nearest thousands ("RMB'000") except when otherwise indicated.

In the current financial year, the Group has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) that are relevant to its operations and effective for accounting periods beginning on January 1, 2010.

The adoption of these new and revised standards and interpretations did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

The management does not anticipates that the adoption of those IFRSs (including consequential amendments) and interpretations that have been issued but not effective at the date of authorisation of these financial statements will have no material financial impact to the financial statements of current year and prior year.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Basis of Consolidation

The financial statements of the Group include the financial statements of the Company and its subsidiary made up to the end of the financial year. Detail information on its subsidiary is given in Note 13.

The Group was formed as a result of the restructuring exercise undertaken on 25 September 2009 for the purpose of the Company's listing on the main market of the Bursa Malaysia Securities Berhad. The acquisition of 100% equity in the subsidiary, namely Rizhao Hengbao Foodstuffs Co., Ltd pursuant to the restructuring exercise under common control has been accounted for using the pooling-of-interest method. Under the pooling-of-interest method, the consolidated financial statements of the Group have been presented as if the Group structure immediately after the restructuring has been in existence since the earliest financial year presented. The assets and liabilities were brought into the consolidated statement of financial position at their existing carrying amounts. The pooling-of-interest method will continue to be used for the entities in existence up to the Group's reorganization exercise.

All inter-company balances and significant inter-company transactions and resulting unrealized profits and losses are eliminated on consolidation and the consolidated financial statements reflect external transactions and balances only. The results of subsidiaries acquired or disposed off during the financial year are included or excluded from the consolidated statement of comprehensive income form the effective date in which control is transferred to the Group or in which control ceases, respectively.

Where accounting policies of a subsidiary do not conform with those of the Company, adjustments are made on consolidation when the amounts involved are considered significant to the Group.

(c) Financial Instruments

Financial instruments carried on the statements of financial position include cash and cash equivalents, all receivables and payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. These instruments are recognised when contracted for.

Financial assets and financial liabilities are recognised on the Group's financial position when the Group becomes a party to the contractual provisions of the instrument. De-recognition of the financial assets occurs when the rights to receive cash flows from the instruments expired or are transferred and substantially all of the risks and rewards of ownership have been transferred. Financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Financial assets which are under IAS 39, other than hedging instruments, are divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the assets are acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

Financial assets

The Group does not have any financial assets at fair value through profit or loss, held-to maturity investments or available-for-sale financial assets except for loans and receivables.

(i) Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and in bank.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Financial Instruments (cont'd)

Financial liabilities
The Group's financial liabilities include trade and other payables and borrowings.

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(i) Trade and other payables
Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

(ii) Borrowings
Borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

The residual amount, after deducting the fair value of the liability component, is recognized and included in shareholder equity, net of transaction costs.

Equity
Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from the proceeds to the extent that they are incidental costs directly attributable to the equity transaction.

(i) Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired.

(d) Income Tax
Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted in countries where the subsidiary operates by the end of the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Income Tax (cont'd)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(e) Subsidiary

A subsidiary is an entity including unincorporated and special purpose entities that are controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. The results of subsidiaries acquired or disposed of during the financial year are included or excluded from the consolidated statement of comprehensive income from the effective date in which control is transferred to the Group or in which control ceases, respectively.

Investment in subsidiary is stated at cost less any allowance for impairment in value in the Company's statement of financial position.

For acquisition of subsidiary is under common control, the identifiable assets and liabilities were accounted for at their carrying values, in a manner similar to the pooling-of-interest method of consolidation.

For acquisition of subsidiaries not under common control, the purchase method of accounting is adopted. The cost of such acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the dates of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially value on the date of the acquisition, irrespective of the extent of non-controlling interest.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs are charged to profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Property, plant and equipment (cont'd)

When plant and equipment are sold or retired, their cost and accumulated depreciation and accumulated impairment losses are removed from the financial statements and any gain or loss resulting from their disposal is included in the profit or loss.

Depreciation is calculated on a straight line basis to write off the cost less residual value of property, plant and equipment less any estimated residual values, over the following estimated useful lives :-

	Estimated useful lives	Estimated residual value as a percentage of cost
Leasehold building and infrastructure	25 years	5%
Plant and machinery	10 years	5%
Furniture, fittings and equipment	5 years	5%
Motor vehicles	5 years	5%

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in the profit or loss.

The residual value, estimated useful lives and depreciation method on property, plant and equipment are reviewed, and adjusted as appropriate, at the end of each reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

(g) Construction in progress

Construction in progress is stated at cost which includes the cost of construction, purchase cost of plant and machinery as well as interest expense arising from borrowings used to finance the construction during the construction period.

Construction in progress for production plant and machinery is transferred to property, plant and equipment on the commissioning date. Plant and machinery are considered to be commissioned when they are capable of producing saleable quality output in commercial quantities on an ongoing basis.

(h) Intangible assets

Intangible assets are accounted for using the cost model. Capitalised costs are amortised on a straight-line basis over their estimated useful lives as they are considered finite. After initial recognition, they are carried at cost less accumulated amortisation and accumulated impairment losses, if any. In addition, they are subject to impairment testing.

Intangible assets are written off where, in the opinion of the directors, no further future economic benefits are expected to arise.

Land use rights

Land use rights are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is charged so as to write off the cost of land use rights, using the straight-line method, over the period of the grant, which is the lease term.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Impairment Loss

(i) Non-financial assets

The carrying amounts of the Group's assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amounts are estimated in order to determine the extent of the impairment loss (if any). An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The impairment loss is charged to the profit or loss in the period in which it arises unless the asset is carried at revalued amount, in which case, such impairment loss is charged to equity.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(ii) Financial assets

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries previously written off are recognised against the same line item in the statement of comprehensive income.

The allowance for impairment loss account is reduced through the profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured.

(j) Inventories

Inventories are measured at the lower of cost (weighted average method) and net realisable value.

The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs, and related production overheads based on normal operating capacity, but exclude borrowing costs. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

(k) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

(l) Foreign Currency Transactions and Translation

(i) *Functional and presentation currency*

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Foreign Currency Transactions and Translation (cont'd)

(ii) *Transactions and balances*

In preparing the financial statements of the Group, monetary assets and liabilities in foreign currencies are translated into RMB at rates of exchange closely approximate to those ruling at the end of the reporting period and transactions in foreign currencies during the financial year are translated at rates ruling on transaction dates. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in statement of comprehensive income for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

(iii) *Group companies*

The results and financial position of the Group entities that have functional currencies different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rate; and

All resulting exchange differences are recognised as a separate component of equity.

(m) Employee Benefits

Retirement benefit costs

Pursuant to the relevant regulations of the People's Republic of China ("PRC") government, the PRC subsidiary of the Group has participated in central pension schemes ("the Schemes") operated by local municipal government whereby PRC subsidiary is required to contribute a certain percentage of the basic salaries of their employees to the Schemes to fund their retirement benefits. The local municipal governments undertake to assume the retirement benefit obligations of all existing and future retired employees of the subsidiary of the Company. The only obligation of the PRC subsidiary with respect to the Scheme is to pay the ongoing required contributions under the Schemes mentioned above. Contributions under the Schemes are charged to the profit or loss as incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Revenue Recognition

Sale of goods
Revenue from sale of goods is recognised when the Group has delivered the products to the customer, the customer has accepted the products and the collectability of the related receivables is reasonably assured. It is recorded net of returns, trade allowances and duties and taxes.

Interest income
Interest income is recognised on a time-apportioned basis using the effective interest method.

(o) Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

(p) Operating Leases
Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

(q) Segment Reporting
A operating segment is a distinguishable component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements in conformity with IFRS requires management to exercise its judgements, make estimates and assumptions that affect the application of accounting policies as described in Note 2, reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements.

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as below:

(a) Critical judgements in applying the accounting policies

In the process of applying the Group's accounting policies as described in Note 2, the management is of the opinion that there are no instances of application of judgements which are expected to have a significant effect on the amounts recognised in the consolidated financial statements.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(b) Key sources of estimation uncertainty

(i) Useful lives and residual value of property, plant and equipment

The estimates for the useful lives and related depreciation charges for property, plant and equipment is based on commercial and production factors which could change significantly as a result of technical innovations and competitor actions in response to severe market conditions. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets. Therefore, future depreciation charges could be revised. A 5% difference in the expected useful lives of the property, plant and equipment would not result in a significant change to the Group's net profit for the respective financial period.

(ii) Uncertain tax positions

The Group has exposure to income taxes in the PRC. Significant judgement is involved in determining the Group provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4. REVENUE

	The Group	
		(Restated)
	2010	2009
	RMB'000	RMB'000
Sale of goods	815,494	608,775

5. OTHER OPERATING INCOME

	The Group	
		(Restated)
	2010	2009
	RMB'000	RMB'000
Interest income	1,287	381
Government subsidies/grants	-	1,420
Others	11	-
	1,298	1,801

6. OTHER OPERATING EXPENSES

	The Group	
		(Restated)
	2010	2009
	RMB'000	RMB'000
Foreign exchange losses	2,364	632
Allowance of impairment loss of property, plant and equipment	585	-
Others	-	5
	2,949	637

7. FINANCE COSTS

	The Group	
		(Restated)
	2010	2009
	RMB'000	RMB'000
Interest on fair value for borrowings	667	206
Interest expense on borrowings	-	54
	667	260

8. INCOME TAX EXPENSE

	The Group	
		(Restated)
	2010	2009
	RMB'000	RMB'000
Tax expense		
Income tax expense	69,924	52,601

PRC tax

The PRC income tax is computed according to the relevant laws and regulations in the PRC. The applicable income tax rate was 25% (2009: 25%).

Singapore tax

No provision for Singapore profits tax made as the Group has no assessable profits subject to Singapore tax during the financial year.

Reconciliation between tax expenses and profit before taxation at applicable tax rate is as follows:

	The Group	
		(Restated)
	2010	2009
	RMB'000	RMB'000
Profit before income tax	270,848	206,233
Tax calculated at a tax rate of 25% (2009: 25%)	67,712	51,558
Items not deductible/(taxable) for tax purposes	1,659	779
Difference in foreign tax rate	553	264
Tax expense	69,924	52,601

No provision for deferred taxation has been provided as the Group did not have any significant temporary differences which gave rise to a deferred tax asset or liability as at 31 December 2010.

9. PROFIT FOR THE YEAR

In addition to the charges and credits disclosed elsewhere in the notes to the consolidated financial statements, this item includes the following charges:-

	The Group	
		(Restated)
	2010	2009
	RMB'000	RMB'000
Amortisation charges	326	327
Depreciation of property, plant and equipment		
- Leasehold buildings and infrastructure	1,985	1,348
- Plant and machinery	1,881	1,830
- Furniture, fittings and equipments	173	218
- Motor vehicles	335	93
Allowance for impairment loss on property, plant and equipment	585	-
Directors' remuneration	229	151
Rental expense on operating lease	53	53
Inventory charged to cost of sales	528,972	391,928
Withholding tax	2,500	-

10. EARNINGS PER SHARE

The calculation of the basis and diluted earnings per share attributable to the ordinary equity holders of the Company is calculated based on the following:

	The Group	
	2010	2009
Net profit attributable to equity holders of the Company (RMB'000)	200,924	153,632
Weighted average number of ordinary shares in issue ('000)	337,754	300,000
Earnings per share		
- Basic (RMB cents)	59.49	51.21
- Diluted (RMB cents)	59.49	51.21

Diluted earnings per share are the same as basic earnings per share as the Company does not have potential dilutive shares.

11. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold buildings and infrastructure RMB'000	Plant and machinery RMB'000	Furniture, fittings and equipments RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost/ valuation					
At 1 January 2009	30,006	14,810	858	316	45,990
Additions	38	673	43	208	962
Reclassification from construction in progress	18,260	-	-	-	18,260
At 31 December 2009	48,304	15,483	901	524	65,212
Additions	-	487	2	1,456	1,945
At 31 December 2010	48,304	15,970	903	1,980	67,157
Comprising:					
At 31 December 2009					
At cost	39,891	14,733	387	208	55,219
At valuation	8,413	750	514	316	9,993
	48,304	15,483	901	524	65,212
At 31 December 2010					
At cost	39,891	15,220	389	1,664	57,164
At valuation	8,413	750	514	316	9,993
	48,304	15,970	903	1,980	67,157
Accumulated Depreciation					
At 1 January 2009	979	1,935	327	112	3,353
Depreciation charge for the year	1,348	1,830	218	93	3,489
At 31 December 2009	2,327	3,765	545	205	6,842
Depreciation charge for the year	1,985	1,881	173	335	4,374
At 31 December 2010	4,312	5,646	718	540	11,216
Accumulated Impairment Loss					
At 1 January 2009 and 31 December 2009	-	-	-	-	-
Impairment loss for the year	-	585	-	-	585
At 31 December 2010	-	585	-	-	585
Carrying Amount					
At 31 December 2010	43,992	9,739	185	1,440	55,356
At 31 December 2009	45,977	11,718	356	319	58,370

The above leasehold buildings are located at Ju County Huaixu Gonglu Dong Ce, Rizhao Lu Nan Ce (莒县淮徐公路东侧，日照路南侧) and Ju County Yanzhuang Town Jianhua Cun Zhu Di, Weifang Lu Bei Ce (莒县闫庄镇建华村驻地，潍坊路北侧).

During the year, the Group carried out a review of the recoverable amount of its property, plant and equipment, having regard to its low production utilisation rate for canned food product segment. This review led to the recognition of an impairment loss of RMB0.585 million (2009: Nil) has been recognised in profit or loss, and included in the line item of other operating expenses.

12. CONSTRUCTION IN PROGRESS

	The Group	
	2010	2009
	RMB'000	RMB'000
Building under construction		
At 1 January	6,475	18,240
Additions	762	6,495
Reclassification to property, plant and equipment	-	(18,260)
At 31 December	7,237	6,475

Building under construction represents the factory premises and dormitory building under construction, production plants, machinery and other equipment under installation are stated at cost. The construction of the waste water treatment plant is expected to be completed by end of 2010. It is in the process of obtaining the permit and license and the waste water treatment plant has yet brought into use at the end of the reporting period.

13. INVESTMENT IN SUBSIDIARY

	The Company	
	2010	2009
	RMB'000	RMB'000
Unquoted equity shares, at cost	130,599	51,989

The details of the subsidiary company are as follows:

Name of company	Principal activities	Country of incorporation and place of business	Proportion of ownership interest/voting power held	
			2010 %	2009 %
Rizhao Hengbao Foodstuffs Co., Ltd	Manufacturing and producing various types of foods	People's Republic of China	100	100

The Company acquired the entire paid up capital of Rizhao Hengbao Foodstuffs Co., Ltd on 25 September 2009 for purchase consideration of RMB41.6 million and was satisfied by cash payments. In year 2010, the subsidiary has increased its registered capital by RMB60.0 million to RMB140.8 million. As of 31 December 2010, the Company has injected a total of RMB130.6 million as capital in cash.

14. INTANGIBLE ASSETS

The Group

	Land Use Rights RMB'000	Computer Software RMB'000	Total RMB'000
At Cost			
At 1 January 2009 and 31 December 2009	15,230	13	15,243
Additions	-	-	-
At 31 December 2010	15,230	13	15,243
Accumulated Amortisation			
At 1 January 2009	736	6	742
Additions	324	3	327
31 December 2009	1,060	9	1,069
Additions	323	3	326
At 31 December 2010	1,383	12	1,395
Carrying Amount			
At 31 December 2010	13,847	1	13,848
At 31 December 2009	14,170	4	14,174

The above land use rights represent land of:

a) 6,406 sq m located at Ju County Huaixu Gonglu Dong Ce, Rizhao Lu Nan Ce (莒县淮徐公路东侧，日照路南侧), and amortised over lease period of 38 years from 2006.

b) 17,903.80 sq m located at Ju County Huaixu Gonglu Dong Ce, Rizhao Lu Nan Ce (莒县淮徐公路东侧，日照路南侧), and amortised over lease period of 38 years from 2006.

c) 17,170.10 sq m located at Ju County Huaixu Gonglu Dong Ce, Rizhao Lu Nan Ce (莒县淮徐公路东侧，日照路南侧) and amortised over lease period of 50 years from 2006; and

d) 64,427 sq m located at Ju County Yanzhuang Town Jianhua Cun Zhu Di, Weifang Lu Bei Ce (莒县闫庄镇建华村驻地，潍坊路北侧), and amortised over lease period of 50 years from 2006.

15. INVENTORIES

	The Group	
	2010 RMB'000	2009 RMB'000
At Cost:		
Raw materials	2,308	3,029
Finished goods	5,328	3,485
	7,636	6,514

All the goods are stated at cost in the statement of financial position. No allowance for inventory obsolescence is considered necessary.

16. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Outside parties				
Trade receivables	65,690	32,975	-	-
Other receivables	2,243	-	-	-
Prepayments	-	14,499	-	12,256
Dividend receivable	-	-	23,100	-
	67,933	47,474	23,100	12,256

Trade and other receivables are denominated in the following currencies:-

	The Group		The Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Chinese renminbi	65,977	33,138	23,100	-
Singapore dollars	-	12,256	-	12,256
United States dollars	1,956	2,080	-	-
	67,933	47,474	23,100	12,256

Trade receivables are usually due within 30 to 90 days and do not bear any effective interest rate. All trade receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regards to trade and other receivables, as the amounts recognised resemble a large number of receivables from various customers. No allowance for impairment has been considered necessary for financial year ended 31 December 2010.

17. AMOUNT DUE FROM A SUBSIDIARY

The amount due from a subsidiary company is non-trade in nature, unsecured, interest-free and repayable on demand.

18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following statements of financial position amounts:

	The Group		The Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Cash in hand	20	101	-	97
Cash at bank	563,583	290,851	11,393	10,360
	563,603	290,952	11,393	10,457

The carrying amounts of cash and cash equivalents approximate to their fair values.

18. CASH AND CASH EQUIVALENTS (cont'd)

Cash and cash equivalents are denominated in the following currencies:-

	The Group		The Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Chinese renminbi	552,210	280,495	-	-
Singapore dollars	358	314	358	877
Malaysia ringgit	11,035	10,143	11,035	9,580
	563,603	290,952	11,393	10,457

19. SHARE CAPITAL

	The Group	
	2010 RMB'000	2009 RMB'000
Issued and paid-up capital		
The Company	146,161	152
The subsidiary	-	21,800
On acquisition of subsidiary [a]	-	(21,800)
	146,161	152

In year 2009, share capital represented the issued share capital of the Company and paid up capital of its subsidiary.

[a] Pursuant to the restructuring exercise completed on 25 September 2009, the Company completed the 100% acquisition of the entire paid up capital of its subsidiary namely, Rizhao Hengbao Foodstuffs Co., Ltd for consideration of RMB 21.8 million which was wholly satisfied by cash payment.

	The Company	
	Number of share	RMB'000
At 1 January 2009 and 31 December 2009	3,000,000	152
Sub-division of ordinary share [1]	300,000,000	
	300,000,000	152
New ordinary share issue of conversion of convertible loan [2]	63,814,460	35,513
New ordinary share issue of conversion of convertible preference shares [2]	48,805,540	41,993
New ordinary shares of RM 0.80 each pursuant to the IPO of the Company less share issued expenses [3]	55,380,000	68,503
At 31 December 2010	468,000,000	146,161

[1] On 3 February 2010, the Company sub-divided its ordinary shares of S$0.01 into S$0.0001 each resulting in 300,000,000 ordinary share capital issued.

[2] On 8 September 2010, all the Convertible Loans and Redeemable Cumulative and Convertible Preference Shares Series A had been converted into 63,814,460 and 48,805,540 ordinary shares respectively of the Company at consideration of S$7.039million and S$8.323million respectively.

[3] On 17 December 2010, the Company implemented 55,380,000 public issue shares via public offering.

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 shares rank equally with regard to the Company's residual assets.

20. RESERVES

	The Group	
		(Restated)
	2010	2009
	RMB'000	RMB'000
Fair value adjustments reserves	8,237	8,237
Statutory reserves	53,036	32,252
	61,273	40,489

Fair value adjustments reserves

The above fair value adjustment reserves represent fair value adjustment on interest free loan from ex-shareholders of the subsidiary (Note 21). The Group has accounted for the liability based on fair value through profit or loss. Changes in the fair value of the borrowings at fair value through profit or loss have been included in the statement of comprehensive income for the year.

Statutory reserves

The Group follows the accounting principles and relevant financial regulations of the People's Republic of China ("PRC GAAP") in the preparation of the accounting records and statutory financial statements of the PRC subsidiary.

In accordance with the Foreign Enterprise Law applicable to the subsidiary in the People's Republic of China (PRC), the subsidiary is required to make appropriation to a Statutory Reserve Fund (SRF). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The SRF is not available for dividend distribution to shareholders.

21. BORROWINGS

	The Group		The Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Loans				
Loans – unsecured	14,436	13,769	-	-
Convertible loans				
Tranche 1	-	14,598	-	14,598
Tranche 2	-	4,162	-	4,162
Tranche 3	-	14,524	-	14,524
Convertible loans	-	33,284	-	33,284
Redeemable preference shares (Note 23)	-	40,942	-	40,942
Total borrowings	14,436	87,995	-	74,226
Less: Amount due within one year	-	(74,226)	-	(74,226)
Balance due after one year	14,436	13,769	-	-

21. BORROWINGS (cont'd)

Borrowings are denominated in the following currencies:-

	The Group		The Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Chinese renminbi	14,436	13,769	-	-
Malaysia ringgit	-	45,736	-	45,736
Singapore dollars	-	28,490	-	28,490
	14,436	87,995	-	74,226

Loans - unsecured

On 25 September 2009, the subsidiary company has entered into loan agreement with Shen Hengbao, Meng Xiangzhen, Wu Fang, Yao Zhifang and Shi Geli (collectively referred to as the "Ex-shareholders") amounting to RMB21.8 million. The loan is interest free. The tenure of the loan is 10 years and will be automatically renewed for another 10 years unless the Directors decide that the loan is no longer required.

Loans from Ex-shareholders are stated at fair value and determined from the cashflow analyses, discounted at market borrowing rates of 4.86% per annum.

The borrowings are denominated in Chinese renminbi.

Convertible loans (Tranche 1)

On 7 April 2008 and 22 August 2009, the Company entered into Convertible Loan Agreements and Supplemental Agreements respectively with various strategic investors wherein the investors agreed to grant the Company convertible loan facility of an aggregate amount of S$3,000,000 in consideration of the right to convert the full sum of the convertible loan into fully paid new ordinary shares of the Company. The convertible loans are expected to be converted to ordinary shares upon successful application of the Company listing with Bursa Malaysia Securities Berhad. The term of the convertible loan facility shall commence from the drawdown date and for loan period of 24 months from drawdown date. The Convertible loans were fully convertible into ordinary share on 8 September 2010.

Convertible loans (Tranche 2)

The Company entered into various Convertible Loan Agreements with various strategic investors dated on 29 December 2008, 29 March 2009 and 31 March 2009 and Supplemental Agreements dated 25 September 2009, wherein the investors agreed to grant the Company convertible loan facility of an aggregate amount of S$650,000 and RM500,000 in consideration of the right to convert the full sum of the convertible loan into fully paid new ordinary shares of the Company. The convertible loans are expected to be converted to ordinary shares upon successful application of the Company listing with Bursa Malaysia Securities Berhad. The term of the convertible loan facility shall commence from the drawdown date and for loan period of 24 months from drawdown date. The Convertible loans were fully convertible into ordinary share on 8 September 2010.

Convertible loans (Tranche 3)

The Company entered into various Convertible Loan Agreements dated 25 May 2009, 26 May 2009 and 1 June 2009 and Supplemental Agreements dated 25 September 2009 with various strategic investors, wherein the investors agreed to grant the Company convertible loan facility of an aggregate amount of S$2,405,000 and RM1,900,000 in consideration of the right to convert the full sum of the convertible loan into fully paid new ordinary shares of the Company. The convertible loans are expected to be converted to ordinary shares upon successful application of the Company listing with Bursa Malaysia Securities Berhad. The term of the convertible loan facility shall commence from the drawdown date and for loan period of 12 months from drawdown date. The Convertible loans were fully convertible into ordinary share on 8 September 2010.

The convertible loans are regarded as liability component were determined at the date of the Convertible Loan Agreement. The fair value of the liability component, included in current liabilities was similar debt without a conversion option and has been assessed to approximate the principal amount received. Accordingly, there is no residual amount for the equity conversion component.

All convertible loans had been converted into ordinary shares in the Company on 8 September 2010.

22. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Outside parties				
Trade payables	25,714	21,436	-	-
Other payables	8,385	7,886	-	2,985
Accruals	7,379	3,946	3,781	877
Withholding tax payable	2,500	-	-	-
	43,978	33,268	3,781	3,862

Trade and other payables are denominated in the following currencies:-

	The Group		The Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Chinese renminbi	42,377	29,406	2,180	-
Malaysia ringgit	1,120	1,720	1,120	1,720
Singapore dollars	481	2,142	481	2,142
	43,978	33,268	3,781	3,862

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The fair value of trade and other payables have not been disclosed as, due to short term duration, management considers the carrying amounts recognised in the statements of financial position to be reasonable approximation of their fair values.

23. REDEEMABLE PREFERENCE SHARES

On 27 August 2009, the Company entered into subscription agreement for Redeemable Cumulative and Convertible Preference Shares Series A in Sozo ("RCCPS") with a strategic investor pursuant to which the strategic investor agreed to subscribe for the RCCPS at an issue price of S$0.01 for each RCCPS subject to a maximum amount of RM20,500,000 for capital expenditure and business expansion. Each RCCPS shall be paid a fixed cumulative dividend at the rate of 8% per annum.

The RCCPS shall be redeemed on the Company redemption rate and shall be converted into fully paid ordinary shares in the share capital of the Company based on the specified conversion formula. The RCCPS shall be redeemed on the Company redemption date and at the redemption price which is equivalent to the issue price of the RCCPS together with an internal rate of return of 15% per annum.

On 24 September 2009 and 19 October 2009 respectively, the Company allotted 507,511,165 RCCPS and 324,807,146 RCCPS of S$0.01 each for cash to a strategic investor. The RCCPS has been fully drawdown as at 31 December 2009.

The redeemable preference shares are regarded as liability component were determined at the date of the subscription agreement. The fair value of the liability component, included in current liabilities was similar debt without a conversion option and has been assessed to approximate the principal amount received. Accordingly, there is no residual amount for the equity conversion component.

The redeemable preference shares had been converted into ordinary shares in the Company on 8 September 2010.

24. COMMITMENTS

Capital commitments

Capital expenditures contracted for at the end of the reporting period but not recognised in the financial statements are analysed as follows:

	The Group	
	2010	2009
	RMB'000	RMB'000
Construction for waste water treatment plant – to third party	1,263	2,025
Capital contribution to subsidiary	10,201	28,811

Operating lease commitments

At the end of the reporting period, the total of future minimum lease payments under non-cancellable operating lease is as follows:

	The Group	
	2010	2009
	RMB'000	RMB'000
Not later than one year	22	53
Later than one year and not later than five years	-	22
	22	75
Rental expenses for the year	53	53

25. RELATED PARTY TRANSACTIONS

Key management personnel compensation (include directors)

Key management personnel compensation is analysed as follows:

	The Group	
	2010	2009
	RMB'000	RMB'000
Salaries and other short-term employee benefits	613	591
Post employment benefits	26	21
	639	612

26. SEGMENT INFORMATION

(a) Business segments

For management purposes, the Company is organized into business unit based on their products and has four reportable operating segments,

(i) Ready-to-serve food
(ii) Frozen vegetables
(iii) Canned food
(iv) Others

Except as indicated above, no operating segments have been aggregated to/from the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Unallocated costs represent corporate expenses.

Capital expenditures comprised of additions to property, plant and equipment and intangible assets.

	Financial year ended 31 December 2010				
	Ready-to-serve Food RMB'000	Frozen Vegetables RMB'000	Canned Food RMB'000	Others RMB'000	Total RMB'000
Revenue	665,700	135,892	160	13,742	815,494
Segment results	225,649	52,189	53	7,046	284,937
Other gains					1,298
Unallocated costs					(14,720)
Finance expenses					(667)
Profit before income tax					270,848
Income tax expense					(69,924)
Profit for the year					200,924
Other segment information:					
Depreciation and amortisation					4,700
Capital expenditures					2,707

26. SEGMENT INFORMATION (cont'd)

(a) Business segments (cont'd)

	Financial year ended 31 December 2009				
	Ready-to-serve Food RMB'000	Frozen Vegetables RMB'000	Canned Food RMB'000	Others RMB'000	Total RMB'000
Revenue	445,918	73,431	51,950	37,476	608,775
Segment results	151,342	30,238	13,534	19,215	214,329
Other gains					1,801
Unallocated costs					(9,637)
Finance expenses					(260)
Profit before income tax					206,233
Income tax expense					(52,601)
Profit for the year					153,632
Other segment information:					
Depreciation and amortisation					3,816
Capital expenditures					10,437

(b) Geographical segments

The Company's revenue is based on where the customers are located.

	Revenue	
	2010 RMB'000	2009 RMB'000
China	755,311	561,891
Japan	58,344	45,270
Europe	1,723	1,412
Others	116	202
	815,494	608,775

All non-current assets are located in PRC.

27. FINANCIAL RISK MANAGEMENT

The management meets periodically to analyse and formulate measures to manage the Group exposure to market risk, including principally changes in interest rates and currency exchange rates. Generally, the Group employs a conservative strategy regarding its risk management. As the Group exposure to market risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

As at 31 December 2010, the Group's financial instruments mainly consisted of cash and cash equivalents, financial assets and financial liabilities.

27. FINANCIAL RISK MANAGEMENT (cont'd)

Foreign Currency Risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Group operates and sells its products in several countries other than PRC and transacts in foreign currencies. As a result, the Group is exposed to movements in foreign currency exchange rates arising from normal trading transactions, primarily with respect to United States dollars except that the convertible loans are denominated in Singapore dollars and Malaysia ringgit. However, the Group does not use any financial derivatives such as foreign currency forward contracts, foreign currency options or swaps for hedging purposes.

A 5% (2009 : 5%) strengthening of the USD, SGD and RM, against the Chinese renminbi would have had the following impact on the net profit by the amounts shown below.

	← Increase/(Decrease) →	
	Profit after tax 31 Dec 2010 RMB'000	**Profit after tax 31 Dec 2009 RMB'000**
Singapore dollars	(6)	313
United States dollars	98	11
Malaysia ringgit	496	304

A 5% (2009 : 5%) weakening of the above currencies against the Chinese renminbi would have the equal but opposite effect on the Chinese renminbi of the amounts shown above.

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of Group exposure to currency risk.

Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that future cash flows of financial instruments will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates.

The Group's exposures to interest rate risk from the interest-bearing borrowings are minimal as the Group's policy is to maintain the borrowings on a fixed rate basis.

Credit risk

The carrying amounts of trade receivables and other receivables represent the Group maximum exposure to credit risk in relation to its financial assets. The Group has no other significant concentration of credit risk other than the one largest trade receivables which represents approximately 10% of the total trade receivables at the end of reporting period. No other financial assets carry a significant exposure to credit risk.

The credit terms granted to customers are recommended by the Group and are determined based on the credit worthiness, payment history, transaction volume, financial background, market reputation and the existing relationship that the Group has with the customers.

There is no impairment losses recognised in the relevant periods since all receivable are collected within the credit period granted and there is no trade receivables that are considered past due within the relevant period.

27. FINANCIAL RISK MANAGEMENT (cont'd)

Liquidity risk

Liquidity or funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group manages its liquidity risk by ensuring the availability of adequate funds to meet all its obligations in a timely and cost-effective manner.

28. CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to safeguard the Company's ability to continue as a going concern and to maintain the Company at a net current asset position by means of funding and financial support from the directors, in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may acquire further funding from the shareholders, return capital to shareholder or issue new shares. No changes were made in the objectives, policies or processes during the year ended 31 December 2010.

29. CHANGES IN ACCOUNTING POLICIES

Basis of consolidation

The Company adopted acquisition method on consolidation of group financial statement in year 2009. Pursuant to the completion of the restructuring exercise, management is of the view that it is more appropriate to present the consolidated financial statement under pooling-of-interest method with effect from financial year ended 31 December 2009. Below are the summary of the impact of the consolidation financial statement as compare to 31 December 2009.

29. CHANGES IN ACCOUNTING POLICIES (cont'd)

(a) The impact on the Group's consolidated statement of comprehensive income for the year ended 31 December 2009 is as follows:

	Prior to change in policy RMB'000	Effects of change in policy RMB'000	After change in policy RMB'000
Revenue	148,776	459,999	608,775
Cost of sales	(102,793)	(291,653)	(394,446)
Gross profit	45,893	168,346	214,329
Other operating income	251,604	(249,803)	1,801
Selling and distribution expenses	(214)	(1,198)	(1,412)
General and administrative expenses	(3,477)	(4,111)	(7,588)
Other operating expense	(574)	(63)	(637)
Finance costs	(206)	(54)	(260)
Profit before tax	293,116	(86,883)	206,233
Income tax expense	(10,886)	(41,715)	(52,601)
Profit after tax	282,230	(128,598)	153,632
Other comprehensive income, net of tax:			
Fair value adjustments, net of tax	8,237	-	8,237
Total comprehensive income for the year	290,467	(128,598)	161,869

(b) The impact on the Group's reserves and consolidated statements of changes in equity as at 31 December 2009 is set out below:

	Prior to change in policy RMB'000	Effects of change in policy RMB'000	After change in policy RMB'000
Reserves (Note 20)			
Statutory reserves	11,647	20,605	32,252
Fair value adjustments reserves	8,237	-	8,237
Retained earnings	270,885	(20,605)	250,280
	290,769	-	290,769

29. CHANGES IN ACCOUNTING POLICIES (cont'd)

(c) The impact on the Group's reserves and consolidated statements of changes in equity as at 1 January 2009 is set out below:

	As previously reported RMB'000	Effects of change in policy RMB'000	As reported RMB'000
Share capital (Note 19)	152	21,800	21,952
Statutory reserves	-	16,554	16,554
Retained earnings	302	112,044	112,346

Additional Disclosure

The information set out below is disclosed in accordance with the Listing Requirements of Bursa Malaysia:

1. UTILISATION OF PROCEEDS

The gross proceeds of the Public Issues amounting to RM44,304,000 have been utilised for the following purposes:-

Description	Proposed Amount RM'000	Utilised Amount RM'000
a) Setting up of a modern poultry farming and breeding facility	5,000	-
b) Setting up of a modern poultry processing facility	5,000	-
c) Setting up of a third production plant and corporate headquarters building in PRC	15,000	-
d) Construction of Halal food processing facility in Malaysia	5,000	-
e) Working capital	4,304	-
f) Listing expenses	10,000	12,097
Total	44,304	12,097

2. SHARE BUY-BACKS

During the financial year, there was no share buy-back exercise carried out by the Company.

3. DEPOSITORY RECEIPT PROGRAMMES

During the financial year, the Company did not sponsor any depository receipt programmes.

4. IMPOSITION OF SANCTIONS AND/OR PENALTIES

There were no sanctions and/or penalties imposed on the Company and its subsidiary, Directors or management by the relevant regulatory bodies.

5. NON-AUDIT FEES

During the financial year, the amount of non-audit fees paid by the Company to the external auditors, Paul Wan & Co amounted to SGD84,827 in respect of fees for work done in connection with the listing of the Company.

6. VARIATION IN RESULTS

Description	Unaudited results* 31.12.2010 RMB'000	Audited results 31.12.2010 RMB'000	Difference	
			RMB'000	%
Profit after taxation	200,924	200,924	-	-

* Based on announcement of quarterly financial reports for the fourth quarter ended 31 December 2010 made on 28 February 2011.

7. PROFIT GUARANTEES

During the financial year, there were no profit guarantees given by the Company and its subsidiary.

8. MATERIAL CONTRACTS

During the financial year, there were no material contracts entered into by the Company and its subsidiary involving Directors' and major shareholders' interests.

9. CONTRACTS RELATING TO LOANS

There were no material contracts relating to loans entered into by the Company involving Directors and major shareholders.

10. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES EXERCISED

There were no issuances of options, warrants or convertible securities during the financial year.

11. REVALUATION OF LANDED PROPERTIES

The Group's landed properties classified as property, plant and equipment are not re-valued, but are reviewed at the end of each reporting period to determine if there is any indication of impairment. These landed properties are stated at cost less accumulated depreciation and impairment.

The landed property of SOZO as at the date of this Annual Report is as follows:

(i) Land

Our subsidiary, Rizhao Hengbao has obtained the State-owned Land Use Right Certificates for the following four (4) parcels of land, the details of which are set out below:-

No.	Land No./ Location	State-owned Land Use Right Certificate No. / Certificate Issuance Date	Tenure/ Expiry of Tenure	Revaluation / Acquisition	Land Area (Square Metres)	Audited NBV as at 31.12.2010 RMB'000
1.	1-3-1727-1/ East of Weixu Road South of Rizhao Road, Ju County Shandong Province, PRC ("**Land I**")	Juguoyong (2006) No. 576/ 26.06.2006	38 years/ 03.09.2044	2006	6,406.00	740
2.	1-3-1727-2/ East of Weixu Road South of Rizhao Road, Ju County Shandong Province, PRC ("**Land II**")	Juguoyong (2006) No. 577/ 26.06.2006	38 years/ 25.08.2044	2006	17,093.80	1,975
3.	1-3-1727-3/ East of Weixu Road South of Rizhao Road, Ju County Shandong Province, PRC ("**Land III**")	Juguoyong (2006) No. 740/ 17.08.2006	50 years/ 02.07.2056	2006	17,170.10	2,705
	Sub-total				**40,669.90**	**5,420**
4.	1-31-2467/ Jianhua Village, Yanzhuang Town North of Weifang Road, Ju County Shandong Province, PRC ("**Land IV**")	Juguoyong (2006) No. 2050/ 22.12.2006	50 years/ 10.12.2056	2006	64,427.00	8,427
	Grand total				**105,096.90**	**13,847**

(ii) Production Plants

Details of the first and second production plants held by our subsidiary, Rizhao Hengbao are set out below:-

No.	Location	Description/ Existing Use	Certificate of Real Estate Ownership No. / Certificate Issuance Date	Built-up Area (Square Metres)	Approximate Age (Years)	Revaluation / Acquisition	Audited NBV as at 31.12.2010 RMB'000
1.	**First Production Plant**						
	No. 1, Juzhou Road, Ju County Shandong Province PRC	5 blocks of single-storey factory building, a double-storey factory cum office building and a double-storey office building/ Production plant, warehouse and office	Ju Fang Quan Zheng Cheng Qu Zi No. 110503/ 17.08.2006	15,842.55	20 - 30	2007	6,768
2.	**Second Production Plant**						
	North of Weifang Middle Road No.1, Ju County Shandong Province PRC	A single-storey factory building and a five-storey workers' hostel/ Production plant, warehouse and workers' hostel	Ju Fang Quan Zheng Cheng Qu Zi No. 20092463/ 16.10.2009	12,224.63	3	2008	37,224
	Grand total						**48,304**

DISTRIBUTION ACCORDING TO SIZE OF SHAREHOLDINGS

Size Holdings	No. Of Holders	%	No. Of Holdings	%
1-99	5	0.36	122	0.00
100-1,000	84	5.99	70,700	0.01
1,001-10,000	657	46.83	4,146,100	0.89
10,001-100,000	506	36.06	16,232,700	3.47
100,001- less than 5% of issued shares	149	10.62	131,542,838	28.11
5% and above of issued shares	2	0.14	316,007,540	67.52
Total	1,403	100.00	468,000,000	100.00

THIRTY (30) LARGEST SECURITIES ACCOUNTS HOLDERS
(ACCORDING TO REGISTER OF DEPOSITORS AS AT 3 MAY 2011)

	Name	Holdings No.	Holdings %
1.	HENGBAO FOODSTUFFS HOLDING LIMITED	267,202,000	57.09
2.	AGRO TREASURES SDN BHD	48,805,540	10.43
3.	ROSCREA INVESTMENT LIMITED	16,350,099	3.49
4.	LIM KWEE GEE	8,166,264	1.74
5.	ELPIS WEALTH MANAGEMENT PTE LTD	6,233,502	1.33
6.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR SHAHIDAN BIN KASSIM (MP0174)	6,000,000	1.28
7.	CHERRYBROOK GROUP LIMITED	5,819,000	1.24
8.	SIGN CENTURY LIMITED	5,290,000	1.13
9.	LIM CHEE PIN	4,362,796	0.93
10.	ARTHUR J STEWART GROUP LIMITED	3,967,500	0.85
11.	LOH PENG CHAI	3,967,500	0.85
12.	P.G.DORAISAMY A/L P.GOPAL	3,283,500	0.70
13.	STRATEGIC ADVISORY SERVICES PTE LTD	3,221,269	0.69
14.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES FOR KOH KIN LIP	3,143,000	0.67
15.	CIMSEC NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT-CIMB SECURITIES (SINGAPORE) PTE LTD FOR EMINENCE CAPITAL PTE LTD	2,635,458	0.56
16.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR BHLB TRUSTEE BERHAD (50106 TR01)	2,021,900	0.43
17.	KUMPULAN WANG SIMPANAN GURU-GURU	2,000,000	0.43
18.	STRATEGIC CAPITAL PARTNERS PTE LTD	1,728,436	0.37
19.	SOON LI VOON	1,640,000	0.35
20.	JOVENSON LIM ONG	1,558,375	0.33
21.	GEORGE TIONG SIY	1,558,375	0.33
22.	YEAT SIAW PING	1,470,000	0.31
23.	SIVA KUMAR A/L M JEYAPALAN	1,450,000	0.31
24.	EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR JAMAL BIN MOHD ARIS (SFC)	1,325,000	0.28
25.	MOHD IBRAHIM BIN MOHD NOR	1,125,000	0.24
26.	CLIFFORD CAPITAL HOLDINGS LIMITED	1,058,000	0.23
27.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SUSY DING (CEB)	1,050,000	0.22
28.	CIMSEC NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT – CIMB SECURITIES (SINGAPORE) PTE LTD FOR JANET FONG WUAN YEE	1,038,917	0.22
29.	SUHAIMI BIN ABDUL RAHMAN	1,000,000	0.21
30.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT – AMBANK (M) BERHAD FOR MOHAMMAD FAIZAL BIN ABD JABBAR (SOZO)	1,000,000	0.21

SUBSTANTIAL SHAREHOLDERS

(ACCORDING TO THE COMPANY'S REGISTER OF SUBTANTIAL SHAREHOLDERS AS AT 3 May 2011)

Name	Place Of Incorporation/ Nationality	Direct		Indirect	
		No. Of Ordinary Shares	Share Capital (%)	No. Of Ordinary Shares	Share Capital (%)
Hengbao Foodstuffs Holding Limited	British Virgin Island	267,202,000	57.09	-	-
Shen Hengbao	Chinese	-	-	[a] 267,202,000	57.09
Agro Treasures Sdn Bhd	Malaysia	48,805,540	10.43	-	-
Khazanah National Berhad	Malaysia	-	-	[b] 48,805,540	10.43
Vida Incorporated Sdn Bhd	Malaysia	-	-	[b] 48,805,540	10.43

a) Deemed interested by virtue of his interest in Hengbao Foodstuffs Holding Limited pursuant to Section 6A of the Malaysian Companies Act.
b) Deemed interested by virtue of its interest in Agro Treasures Sdn Bhd pursuant to Section 6A of the Malaysian Companies Act.

STATEMENT OF DIRECTORS' INTEREST IN THE COMPANY

Name	Direct		Indirect	
	No. Of Ordinary Shares	Share Capital (%)	No. Of Ordinary Shares	Share Capital (%)
Shen Hengbao	-	-	[a] 267,202,000	57.09
Meng Xiangzhen	-	-	-	-
Lee Yu Lian	-	-	[b] 48,805,540	10.43
Tan Gim Hwee	-	-	-	-
Sun Shimin	-	-	-	-
Ching Leng Team	-	-	-	-
Poh Seng Hiap	-	-	-	-

a) Deemed interested by virtue of his interest in Hengbao Foodstuffs Holding Limited pursuant to Section 6A of the Malaysian Companies Act.
b) Deemed interested by virtue of her indirect interest in Agro Treasures Sdn Bhd and Vida Incorporated Sdn Bhd pursuant to Section 6A of the Malaysian Companies Act.

NOTICE IS HEREBY GIVEN THAT the Fourth Annual General Meeting of the Company will be held at the Dewan Johor (1 Hall), 2nd Floor, Mutiara Johor Bahru, Jalan Dato Sulaiman, Taman Century, K.B No. 779, 80990 Johor Darul Takzim, Malaysia on 27th June 2011 at 9.30 a.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements of the Company and of the Group for the financial year ended 31 December 2010 together with the Reports of the Directors and Auditors thereon. (Ordinary Resolution 1)

2. To approve a First and Final Dividend of 1.8 sen per share for the financial year ended 31 December 2010. (Ordinary Resolution 2)

3. To re-elect the following Directors, who retire pursuant to Article 104 of the Company's Articles of Association:-

   i) Shen Hengbao (Ordinary Resolution 3)

   ii) Lee Yu Lian (Ordinary Resolution 4)

4. To re-elect the following Directors, who retire pursuant to Article 111 of the Company's Articles of Association:-

   i) Ching Leng Team (Ordinary Resolution 5)

   ii) Poh Seng Hiap (Ordinary Resolution 6)

5. To approve the payment of Directors' fees for the year ended 31 December 2010. (Ordinary Resolution 7)

6. To re-appoint Messrs. Paul Wan & Co. as Auditor and to authorise the Directors to fix their remuneration. (Ordinary Resolution 8)

   As Special Business
   To consider and if thought fit, to pass the following Resolutions: (Ordinary Resolution 9)

   Authority to Directors to Allot and Issue Shares

   "THAT pursuant to the provisions of Section 161 of the Companies Act of Singapore, Cap. 50, and subject otherwise to the provisions of that Act and the Articles of Association of the Company, the Directors be and are hereby authorised to issue shares of the Company to such persons and on such terms and conditions and with such rights or restrictions as they may think fit to impose, provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being, and subject always to the approval of all the relevant regulatory bodies having been obtained for such allotment and issue, and that such authority shall continue in force until the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

7. To transact any other business of the Company for which due notice shall have been given.

By Order of the Board,

ONG BENG HONG (LLB (Hons))
TAN SWEE GEK (LLB (Hons))
Company Secretaries

Kuala Lumpur
3 June 2011

NOTES ON APPOINTMENT OF PROXY:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member and / or a qualified legal practitioner, an approved company auditor or a person approved by the Registrar of Companies.

2. Where a member duly executes the form of proxy but does not name any proxy, such member shall be deemed to have appointed the Chairman of the meeting as his/their proxy, provided always that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the member.

3. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportion of his holding to be represented by each proxy.

4. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories Act, 1991) it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

5. In the case of a corporate member, the instrument appointing a proxy shall be under its Common Seal or under the hand of an officer or attorney, duly authorised.

6. The instrument appointing a proxy must be deposited at the Registered Office in Malaysia at Suite 10.03, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than 48 hours before the time for holding the Meeting or any adjournment thereof.

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. Resolution 9 : Authority to Directors to Allot and Issue Shares

The Proposed Ordinary Resolution 9, if passed, is a new General Mandate to empower the Directors to issue and allot shares up to an amount not exceeding 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the Company at a General Meeting, will expire at the next Annual General Meeting.

The General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s) workings capital and/or acquisitions.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT a First and Final Dividend of 1.8 sen per share for the financial year ended 31 December 2010, if approved by shareholders at the forthcoming Annual General Meeting, will be payable on 26th September 2011 to the shareholders whose names appear in the Record of Depositors of the Company at the close of business on 29th August 2011.

A Depositor shall qualify for entitlement only in respect of:

(a) shares transferred to the Depositor's Securities Account before 4.00 p.m. on 29th August 2011 in respect of transfer; and

(b) shares bought on Bursa Malaysia Securities Berhad on a cum-entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

The Directors who are standing for re-election at the Fourth Annual General Meeting of the Company are:-

i) Shen Hengbao (Resolution 3)

ii) Lee Yu Lian (Resolution 4)

iii) Ching Leng Team (Resolution 5)

iv) Poh Seng Hiap (Resolution 6)

The profile of the Directors standing for re-election for Resolution 3, 4, 5 and 6 are shown on page 7 to 9 of the Annual Report 2010.

The details of the Directors' attendance at Board Meetings are disclosed in the Corporate Governance Statement.

The Fourth Annual General Meeting of the Company will be held at the Dewan Johor (1 Hall), 2nd Floor, Mutiara Johor Bahru, Jalan Dato Sulaiman, Taman Century, K.B No. 779, 80990 Johor Darul Takzim, Malaysia on 27th June 2011 at 9.30 a.m.

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PROXY FORM

I / We *(Full Name in Block Letters)* _____

NRIC No. / Passport No. / Company No. _____

of _____

being a member / members of SOZO GLOBAL LIMITED, hereby appoint _____

NRIC No. / Passport No. / Company No. _____

of _____

or failing him / her, _____

of _____

NRIC No. / Passport No. / Company No. _____

as my / our proxy to vote and act on my / our behalf at the Fourth Annual General Meeting of the Company to be held at the Dewan Johor (1 Hall), 2nd Floor, Mutiara Johor Bahru, Jalan Dato Sulaiman, Taman Century, K.B No. 779, 80990 Johor Darul Takzim, Malaysia on 27th June 2011 at 9.30 a.m. and at any adjournment thereof.

The proportion of my/our* holding to be represented by my/our* proxies are as follows:-

First Proxy (1) ☐ Second Proxy (2) ☐

My/our* proxy is to vote as indicated below :-

NO.	RESOLUTIONS	FOR	AGAINST
1.	**Ordinary Resolutions** To receive the Audited Financial Statements for the year ended 31 December 2010 and Reports of the Directors' and Auditors thereon.		
2.	To approve the payment of a First and Final Dividend of 1.8 sen per share for the financial year ended 31 December 2010.		
3.	To re-elect Shen Hengbao as Director.		
4.	To re-elect Lee Yu Lian as Director.		
5.	To re-elect Ching Leng Team as Director.		
6.	To re-elect Poh Seng Hiap as Director.		
7.	To approve the payment of Directors' fees.		
8.	To re-appoint Messrs. Paul Wan & Co. as Auditors of the Company.		
9.	As special business, to approve the ordinary resolution pursuant to Section 161 of the Companies Act of Singapore, Cap. 50		

Please indicate with "X" where appropriate against each resolution how you wish to cast your vote. In the absence of specific directions, the proxy may vote or abstain from voting in the resolutions as he / she may think fit.

_____

Signature of Shareholder(s)
(If shareholder is a corporation, this part should be executed under seal)

Date : _____

NOTES:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member and / or a qualified legal practitioner, an approved company auditor or a person approved by the Registrar of Companies.
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4. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories Act, 1991), it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
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Fold here

Please affix
postage stamp
here

The Agent in Malaysia
SOZO GLOBAL LIMITED
Suite 10.03, Level 10, The Gardens South Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur

Fold here

SOZO GLOBAL LIMITED

(Company Registration No.: 200608505W)
(Incorporated in Singapore under the Companies Act (Chapter 50) of Singapore)
(Malaysian Foreign Company Registration No.: 995221-H)
(Registered as a foreign company in Malaysia under the Companies Act, 1965 of Malaysia)