

4. INFORMATION ON OUR GROUP (CONT'D)

4.14 EMPLOYEES

Our Group views our employees as one of our key assets and places great emphasis on staff training that not only imparts job skills but also inculcates desirable working attitudes and team spirit. Therefore, our employees at all levels are required to undergo internal training relevant for their positions. Our management also requires all our employees to undergo training conducted internally in relation to our QC policies, targets and procedures, as well as production and processing techniques. We conduct various in-house training sessions with the aim of increasing the job proficiency of our employees. This is achieved through utilising various training methods and conducting training sessions that are tailored according to the different job scopes of our employees.

In addition, all new employees involved in our manufacturing operations are required to undergo an orientation training programme to familiarise themselves with our rules and regulations, manufacturing processes as well as the quality and safety requirements of our products. We also provide on-the-job training programmes for our employees in accordance with the requirements of their job scope and with the aim of improving the overall technical skills and capabilities of our employees. Our on-the-job training programme is conducted based on the mentor-mentee system. The areas of our on-the-job training mainly relate to the responsibilities and requirements of the job concerned, ISO 9001:2008, HACCP and/or ISO 22000:2005 Food Safety Management System standards and requirements, operation manuals of our Group and specialised knowledge in food production.

Our Group's employment structure as at the end of the past four (4) FYE 2006 to FYE 2009 and FPE 2010 were as follows:-

Category of Employees	As at 31.12.2006	As at 31.12.2007	As at 31.12.2008	As at 31.12.2009	As at 30.06.2010
Management	9	9	10	10	10
Sales and marketing	12	10	10	11	11
Production and purchase	635	834	839	1,340	1,692
Design and R&D	15	9	9	14	14
Technical and QC	9	6	7	10	10
Finance, human resources and administration	13	13	13	12	12
Total	693	881	888	1,397	1,749

Our Group does not have any temporary employees.

Our Group's entire workforce is located in the PRC. The increase in total number of employees as at 31 December 2009 was mainly due to the commencement of operations of our second production plant.

The increase in total number of employees as at 30 June 2010 was mainly due to increase in production workforce to cater for the increase in orders from customers.

4. INFORMATION ON OUR GROUP (CONT'D)

Under current PRC laws and regulations, employees are classified as contract employees. All our Group's employees are contract employees and members of the Labour Union of Rizhao Hengbao. There is a collective contract between Rizhao Hengbao and the Labour Union of Rizhao Hengbao prescribed by the Juxian Labour and Social Security Bureau. The collective contract contains terms of the contract, scope of work, work protection and condition, salary, welfare, compensation and termination of the contract. The relationship and cooperation between our management and our employees have always been good and this is expected to continue. There has been no industrial dispute pertaining to our employees.

Our Directors believe that our Group offers a comprehensive and competitive remuneration package including benefits to all our employees. Any adjustment to the remuneration and benefits for our Group's employees will depend on their respective performance.

4.15 PRODUCTION AND PROCESSING FACILITIES

Our Group currently has two (2) production plants located in Ju County, Shandong Province, the PRC. As elaborated in Section 4.21.1 of this Prospectus, our Group has set out plans to expand our production capacity in the PRC as well as to set up a Halal food processing facility in Malaysia.

Our Group's current headquarters and first production plant are located at Land I, Land II and Land III described and defined in the table below situated at East of Weixu Road, South of Rizhao Road, Ju County, Shandong Province in the PRC and occupying an approximate land area of 40,670 square metres with a built-up area of approximately 15,843 square metres.

Our Group's second production plant is located at Land IV described and defined in the table below situated at Jianhua Village, Yanzhuang Town, North of Weifang Road, Ju County, Shandong Province in the PRC and occupying an approximate land area of 64,427 square metres with a current built-up area of approximately 12,225 square metres.

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4. INFORMATION ON OUR GROUP (CONT'D)

Details of our Group's material assets are 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 ^(a)	State-owned Land Use Right Certificate No. ^(b) / Certificate Issuance Date	Tenure/ Expiry of Tenure	Land Area (Square Metres)	Audited NBV as at 30.06.2010	
					RMB'000	RM'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	6,406.00	751	358
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	17,093.80	2,004	956
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	17,170.10	2,735	1,305
	Sub-total			40,669.90	5,490	2,619
4.	1-31-2467/ Jianhua Village, Yanzhuang Town North of Welfang Road, Ju County Shandong Province, PRC ("Land IV")	Juguoyong (2006) No. 2050/ 22.12.2006	50 years/ 10.12.2056	64,427.00	8,518	4,065
	Grand total			105,096.90	14,008	6,684

Notes:-

- (a) Description of location as disclosed in the State-owned Land Use Right Certificate.
 (b) The State-owned Land Use Right Certificates were issued by the Ju County State Owned Land Resource Bureau.

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4. INFORMATION ON OUR GROUP (CONT'D)

(ii) Production Plants

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

No.	Location ^(a)	Description/ Existing Use	Certificate of Real Estate Ownership No. ^(d) / Certificate Issuance Date	Built-up Area (Square Metres)
1.	First Production Plant No. 1, Juzhou Road, Ju County Shandong Province PRC ^(b)	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
2.	Second Production Plant North of Weifang Middle Road No.1, Ju County Shandong Province PRC ^(c)	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

Notes:-

- (a) Description of location as disclosed in the Certificate of Real Estate Ownership.
- (b) Located at Land I, Land II and Land III as described and defined in the table set out in Section 4.15(i) of this Prospectus.
- (c) Located at Land IV as described and defined in the table set out in Section 4.15(i) of this Prospectus.
- (d) The Certificates of Real Estate Ownership were issued by the Juxian Property and Land Resources Administrative Bureaus.

The total audited NBV as at 30 June 2010 for the first and second production plants and the buildings thereat (including the related infrastructure) is approximately RMB44.98 million (equivalent to approximately RM21.46 million).

With regard to our first production plant located at Land I, II and III, Rizhao Hengbao has obtained the Certificate of Real Estate Ownership issued by Juxian Property and Land Resources Administrative Bureaus numbered Ju Fang Quan Zheng Cheng Qu Zi Di No. 110503 and dated 17 August 2006 (the "Ownership Certificate"). The buildings as set out and covered in the Ownership Certificate are the buildings and facilities located at Land I, Land II and Land III, but only Land III is referred to in the Ownership Certificate. Notwithstanding the above, all buildings and facilities located at Land I, Land II and Land III are owned by our Group and our Group's ownership rights of these buildings will not be affected.

Save as disclosed in Sections 4.15(i) and 4.15(ii) of this Prospectus, our Group does not own or lease any other properties. In addition, there are no encumbrances on the lands (in relation to the Land-Use-Rights) and buildings as disclosed in Sections 4.15(i) and 4.15(ii) of this Prospectus.

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4. INFORMATION ON OUR GROUP (CONT'D)

(iii) Material Plant and Machineries

As at 30 June 2010, our subsidiary, Rizhao Hengbao owns the following material plant and machineries:-

No.	Plant and Machineries	Location/ Type of Products Produced	Audited NBV as at 30.06.2010	
			RMB'000	RM'000
1.	Quick freeze lines	First and second production plants/ RTS Food and frozen vegetables	1,905	909
2.	Canned food line	First production plant/ Canned food	170	81
3.	Metal detector	First and second production plants/ Not applicable	378	180

The production capacity of our plant and machinery is set out in Section 4.15 (iv) of this Prospectus.

(iv) Production Capacities and Utilisation Rates

Our Group's production capacities for quick freeze lines and canned food lines, and their respective estimated utilisation rates for the past four (4) FYE 2006 to FYE 2009 and FPE 2010 were as follows:-

	FYE 2006	FYE 2007	FYE 2008	FYE 2009	FPE 2010
Quick Freeze Lines					
No. of quick freeze lines ^(a)	4	6	9	9	9
Installed production capacity ^(b) (tonnes)	14,400	21,600	27,360	38,880	19,440
Utilisation rate (%) ^(c)	73.40	91.40	54.00	66.88	88.68
Canned Food Line					
No. of canned food line	1	1	1	1	1
Installed production capacity ^(d) (tonnes)	7,200	7,200	7,200	7,200	3,600
Utilisation rate ^(e) (%)	12.90	8.20	32.10	47.66	^(e) -

Notes:-

- (a) From FYE 2006 to August 2008, all of our quick freeze lines are installed at our first production plant. We installed three (3) new quick freeze lines at our second production plant which commenced commercial production in September 2008.
- (b) The installed production capacity of our quick freeze lines are as follows:-
- (aa) First production plant – 3,600 tonnes per annum per quick freeze line; and
- (bb) Second production plant – 5,760 tonnes per annum per quick freeze line.
- Our installed production capacity is computed based on the assumption that each of our quick freeze line is operated for 360 days a year and 24 hours a day.
- (c) Computed based on actual production output in tonnes over installed production capacity.
- (d) Our canned food line is located at our first production plant. Currently, our Group produces canned food only upon request by customers as canned food is not the primary focus of our Group.
- (e) There was no production of canned food in FPE 2010 mainly due to the increased demand for our RTS Food and frozen vegetables during the period, wherein we have reallocated our resources from the production of canned food to focus on the production of RTS Food and frozen vegetables. Currently, our Group produces canned food only upon request by customers as canned food is not the primary focus of our Group.

4. INFORMATION ON OUR GROUP (CONT'D)

(v) Material Plans to Construct, Expand or Improve Facilities

To further expand our production capacity, we plan to construct a third production plant and corporate headquarters, the details of which are set out in Section 4.21.1(iii) of this Prospectus.

We estimate a total investment of approximately RM40.0 million for the setting up of the third production plant and corporate headquarters building (including acquisition of equipment and fixtures, and construction costs). As at LPD, we have yet to incur any expenditure for the purpose of this expansion.

We plan to finance part of the said expansion plan with proceeds from the IPO and the balance from our internally generated funds as detailed in Section 2.6 of this Prospectus. In the event the actual investment costs are higher than estimated, the deficit will be funded via our internally generated funds.

4.16 APPROVALS, MAJOR LICENCES AND PERMITS

The following are the approvals, major licences and permits issued to our subsidiary, Rizhao Hengbao in order for us to carry out our operations, other than those pertaining to general business registration requirements:-

(i) Business Licence

Type of Approval/ Licence/ Permit	Registration/ Approval No.	Issuing Authority	Effective Date/ Date of Expiry	Conditions Imposed (If Any)	Status of Compliance of Conditions Imposed
Business Licence	371122228001225	Shandong Province Administration for Industry and Commerce (山东工商行政管理局)	09.03.2005/ 12.03.2023	None	Not applicable

(ii) WFOE Approval

Type of Approval/ Licence/ Permit	Registration/ Approval No.	Issuing Authority	Effective Date/ Date of Expiry	Conditions Imposed (If Any)	Status of Compliance of Conditions Imposed
Approval for Rizhao Hengbao's conversion into a WFOE	Shangwaizilufuzi No. (2008)0542	Foreign Trade & Economic Cooperation of Shandong Province (山东省对外贸易经济合作厅)	03.06.2008/ 02.06.2026	None	Not applicable
Foreign Exchange Registration Certificates (外汇登记证)	00073211	State administration of foreign exchange (国家外汇管理局)	Not applicable	None	Not applicable

4. INFORMATION ON OUR GROUP (CONT'D)

(iii) Processing Licences

Type of Approval/ Licence/ Permit	Registration/ Approval No.	Issuing Authority	Effective Date/ Date of Expiry	Conditions Imposed (If Any)	Status of Compliance of Conditions Imposed
Hygiene Permit for Food (食品卫生许可证) (Approved scopes: processing and selling of frozen instant food, frozen wheaten food, canned food, frozen vegetables, frozen fruits, meat products and vegetable products)	Luweishizhengzi (2007) No. 371122-000028	Bureau of Health of Ju County (莒县卫生局)	11.04.2007/ 10.04.2011	None	Not applicable
Manufacturing License I (全国工业产品生产许可证) (Permitted products: frozen food (other frozen food (other kinds of frozen products)))	QS37111101 0093	Shandong Bureau of Quality and technical Supervision (山东省质量技术监督局)	10.12.2007/ 09.12.2010*	None	Not applicable
Manufacturing License II (全国工业产品生产许可证) (Permitted products: vegetable products (dehydrated vegetable products (vegetable crisps)))	QS37111601 0140	Shandong Bureau of Quality and technical Supervision (山东省质量技术监督局)	17.12.2007/ 16.12.2010*	None	Not applicable
Manufacturing License III (全国工业产品生产许可证) (Permitted products: canned food (can with fruits and vegetable))	QS37110901 2531	General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中国国家质量监督检验检疫总局)	22.12.2007/ 21.12.2010*	None	Not applicable
Manufacturing License IV (全国工业产品生产许可证) (Permitted products: meat products (meat products with sauce))	QS37110401 5029	General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中国国家质量监督检验检疫总局)	06.09.2010/ 05.09.2013	None	Not applicable

Note:-

* The manufacturing licenses will be renewed upon expiry.

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4. INFORMATION ON OUR GROUP (CONT'D)

(iv) Export Permits

Type of Approval/ Licence/ Permit	Registration/ Approval No.	Issuing Authority	Effective Date/ Date of Expiry	Conditions Imposed (If Any)	Status of Compliance of Conditions Imposed
Declaration Registration Certificate of the Customs of the PRC for the Consignor or Consignee of Imported or Exported Goods (进出口货物收发货人报关注册登 记证书) (Approved scopes: processing and selling of canned food, frozen vegetables, wheaten food, prepared food, meat products, vegetable products, frozen food, native and animal- by products, textile and hardware and craft)	3711961358	Rizhao Customs (日照市海关)	23.07.2005/ 23.07.2011	None	Not applicable
Archival Filing and Registration Form of Foreign Trade Operators (对外贸易经营者备案登记表) (Rizhao Hengbao has duly completed its registration for foreign trade operators)	00710375	Ministry of Commercial (商务部)	21.07.2009/ No expiry date	None	Not applicable
Sanitation Registration Certificates for Export Food Manufacturing Enterprises I (出口食品生产企业备案证明) (Registered products: canned products)	3700/01031	Shandong Entry-Exit Inspection and Quarantine Bureau of the PRC (中华人民共和国山东出入境 检验检疫局)	09.10.2009/ 08.10.2012	None	Not applicable
Sanitation Registration Certificates for Export Food Manufacturing Enterprises II (出口食品生产企业备案证明) (Registered products: frozen wheaten food)	3700/15029	Shandong Entry-Exit Inspection and Quarantine Bureau of the PRC (中华人民共和国山东出入境 检验检疫局)	09.10.2009/ 08.10.2012	None	Not applicable
Sanitation Registration Certificates for Export Food Manufacturing Enterprises III (出口食品生产企业备案证明) (Registered products: frozen instant food)	3700/18023	Shandong Entry-Exit Inspection and Quarantine Bureau of the PRC (中华人民共和国山东出入境 检验检疫局)	01.07.2010/ 30.06.2013	None	Not applicable
Sanitation Registration Certificates for Export Food Manufacturing Enterprises IV (出口食品生产企业备案证明) (Registered products: low temperature fried food)	3700/08628	Shandong Entry-Exit Inspection and Quarantine Bureau of the PRC (中华人民共和国山东出入境 检验检疫局)	01.07.2010/ 30.06.2013	None	Not applicable

4. INFORMATION ON OUR GROUP (CONT'D)

Type of Approval/ Licence/ Permit	Registration/ Approval No.	Issuing Authority	Effective Date/ Date of Expiry	Conditions Imposed (If Any)	Status of Compliance of Conditions Imposed
Sanitation Registration Certificate III (卫生注册证书) (Registered products: frozen instant food (contained meat))	3700/18084	Certification and Accreditation Administration of the PRC (中国国家认证认可监督管 理委员会)	29.04.2008/ 28.04.2011	None	Not applicable
Result of Inspection of Packing for Transportation of Import/ Export Goods (For packaging box with double corrugated cartons) (出入境货物运输包装性能检验结 果单) (The packaging box with double corrugated cartons used by Rizhao Hengbao is suitable for packing food)	371000310003388	Rizhao Entry-Exit Inspection and Quarantine Bureau of the PRC (中华人民共和国日照出入 境检验检疫局)	01.09.2010/ 31.08.2011	None	Not applicable
Result of Inspection of Packing for Transportation of Import/ Export Goods (For packaging box with double corrugated cartons) (出入境货物运输包装性能检验结 果单) (The packaging box with double corrugated cartons used by Rizhao Hengbao is suitable for packing food)	371000310003389	Rizhao Entry-Exit Inspection and Quarantine Bureau of the PRC (中华人民共和国日照出入 境检验检疫局)	01.09.2010/ 31.08.2011	None	Not applicable
Result of Inspection of Packing for Transportation of Import/ Export Goods (For packaging box with double corrugated cartons) (出入境货物运输包装性能检验结 果单) (The packaging box with double corrugated cartons used by Rizhao Hengbao is suitable for packing meat products)	371000310002652	Rizhao Entry-Exit Inspection and Quarantine Bureau of the PRC (中华人民共和国日照出入 境检验检疫局)	16.07.2010/ 15.07.2011	None	Not applicable
Result of Inspection of Packing for Transportation of Import/ Export Goods (For packaging box with double corrugated cartons) (出入境货物运输包装性能检验结 果单) (The box with double corrugated cartons used by Rizhao Hengbao is suitable for packing frozen food products)	371000310003398	Rizhao Entry-Exit Inspection and Quarantine Bureau of the PRC (中华人民共和国日照出入 境检验检疫局)	13.10.2010/ 12.10.2011	None	Not applicable

4. INFORMATION ON OUR GROUP (CONT'D)

(v) Other Permits

Type of Approval/ Licence/ Permit	Registration/ Approval No.	Issuing Authority	Effective Date/ Date of Expiry	Conditions Imposed (If Any)	Status of Compliance of Conditions Imposed
Emission Permit (排放污染物许可证) (Rizhao Hengbao could directly or indirectly discharge pollutants into open waters in accordance with laws and regulations of PRC)	No. L – 206 (鲁环许字 L -206 号)	Environmental Protection Bureau of Ju County (莒县环境保护局)	March 2008/ March 2011	None	Not applicable

Our Board is of the view that none of the above approvals, licences and permits are subject to any term or condition which is onerous or out of the ordinary and to the best knowledge of our Board, where applicable, our Group have complied with/ is in compliance with all terms and conditions of the approvals, licences and permits.

4.17 REGULATORY REQUIREMENT AND ENVIRONMENTAL ISSUE

Our manufacturing operations in the PRC have to comply with the relevant PRC regulatory and environmental regulations:-

(i) Environmental Protection Regulations

In accordance with the Environmental Protection Law of the PRC adopted by the Standing Committee of the National People's Congress of the PRC on 26 December 1989, the Administration Supervisory Department of Environmental Protection of the State Council sets the national guidelines for the discharge of pollutants. The provincial and municipal governments of provinces, autonomous regions and municipalities may also set their own guidelines for the discharge of pollutants within their own provinces or districts in the event that the national guidelines are inadequate.

A company or enterprise which causes environmental pollution and discharges other polluting materials which endanger the public should implement environmental protection methods and procedures into their business operations. This may be achieved by setting up a system of accountability within the company's business structure for environmental protection; adopting effective procedures to prevent environmental hazards such as waste gases, water and residues, dust powder, radioactive materials and noise arising from production, construction and other activities from polluting and endangering the environment. The environmental protection system and procedures should be implemented simultaneously with the commencement of and during the operation of construction, production and other activities undertaken by the company.

Any company or enterprise which discharges environmental pollutants should report and register such discharge with the Administration Supervisory Department of Environmental Protection and pay any fines imposed for the discharge. A fee may also be imposed on the company for the cost of any work required to restore the environment to its original state. Companies which have cause severe pollution to the environment are required to restore the environment or remedy the effects of the pollution within a prescribed time limit.

4. INFORMATION ON OUR GROUP (CONT'D)

If a company fails to report and/or register the environmental pollution caused by it, it will receive a warning or be penalised. Companies which fail to restore the environment or remedy the effects of the pollution within the prescribed time will be penalised or have their business licences terminated. Companies or enterprises which have polluted and endangered the environment must bear the responsibility for remedying the danger and effects of the pollution, as well as to compensate any losses or damages suffered as a result of such environmental pollution.

Specifically, in accordance with Articles 3, 10, 12 and 16 of the Interim Measures on the Administration of Water Pollutants Discharge Permit, any enterprise which directly or indirectly discharges pollutants into open waters shall apply for a discharge license as extracted below:-

- (a) Article 3 - applicable to enterprises and institutions (hereafter referred to as "**Pollutant Discharging Units**") that directly or indirectly discharge pollutants into water bodies.
- (b) Article 10 - Pollutant Discharge Units shall, within a specified time, apply for pollutant discharge licenses and submit the pollutant discharge registration forms approved by the local competent departments of environmental protection administration.
- (c) Article 12 - Pollutant Discharging Units that exceed the pollutant total discharge control targets shall be granted provisional pollutant discharge licenses and shall be ordered to reduce their discharges within a limited time.
- (d) Article 16 - Pollutant Discharging Units shall discharge pollutant in accordance with provisions of the licenses and any discharge without pollutant discharge licenses is forbidden.

Rizhao Hengbao's has obtained for the Emission Permit (排污许可证) as disclosed in Section 4.16(v) of this Prospectus.

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4. INFORMATION ON OUR GROUP (CONT'D)

(ii) Food Safety and Hygiene Regulations

According to the Food Hygiene Law of the PRC promulgated by the Standing Committee of the National People's Congress of the PRC, enterprises manufacturing or selling foodstuffs should obtain a Hygiene Permit issued by health administration departments before applying for registration to relevant administrative authorities for industry and commerce. Enterprises must not manufacture or sell foodstuffs before obtaining Hygiene Permit. Foodstuffs should be innocuous and harmless, and in accordance with the nutritional requirements they should meet and also should have the corresponding status of sense such as colour, smell and taste. The Food Hygiene Law of the PRC also stipulates the particular hygiene requirements that must be met in the process of manufacturing and selling foodstuffs.

Rizhao Hengbao has obtained the Hygiene Permit as disclosed in Section 4.16(iii) of this Prospectus.

We have obtained all the necessary licences and permits for our business operations in the PRC as set out in Section 4.16 of this Prospectus.

There are no regulatory requirements or environmental issues that may materially affect the Group's utilisation of our tangible fixed assets.

4.18 DEPENDENCY ON CONTRACTS/ ARRANGEMENTS/ LICENCES

Save for the licences set out in Section 4.16 of this Prospectus, our Board is of the opinion that our Group is not highly dependent on any single contract/ arrangement/ licence.

4.19 INTERRUPTIONS IN BUSINESS OPERATIONS

Our Group did not experience any interruption in our Group's business which had a significant effect on our operations during the past twelve (12) months prior to the date of this Prospectus.

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4. INFORMATION ON OUR GROUP (CONT'D)

4.20 INDUSTRY OVERVIEW

4.20.1 Overview of the China Economy

The Chinese economy has continued on an expansion trail by again registering impressive growth in 2009. According to the National Bureau of Statistics of China, the national GDP grew by 9.1 percent year-on-year in 2009. This result is even more profound against a backdrop of sharp deterioration in the global economic conditions. This latest economy expansion has also helped to cement China's position as one of the world's economic powerhouses along with the US and Japan.

Overall, China has managed to register positive results across many key economic indicators. Firstly, both its agriculture production and the total value added of the industrial sector have been riding on an expansion trail in 2009. The growth in Chinese agriculture production in 2009 was mainly sustained by the increase in grain output for six years consecutively. The total output of grain in 2009 stood at 530.82 million tonnes – improved by 0.4 percent over 528.5 million tonnes recorded in 2008. The total value added of industrial enterprises on the other hand recorded an 11.0 percent growth in 2009.

In terms of international trade, the size of its imports and exports had understandably decreased in 2009 with the global economic downturn negatively impacting its international trading partners particularly those from advanced economies. The total value of China's foreign trade had declined by 13.8 percent to USD2.21 trillion in 2009. Nonetheless, China has continued to enjoy a trade surplus. Its trade surplus amounted to USD196.1 billion in 2009. The strengthening of the Chinese economy in 2009 has also been reflected in the country's overall income and investment indicators. For example, the per capita disposable income of the urban households rose by 8.8 percent to RMB17,175 in 2009 while the per capita net income of rural households grew by 8.2 percent to RMB5,153.

Meanwhile, investors have also remained bullish on the prospect of the Chinese economy. Investments have continued pouring into fixed assets in China, amounting to RMB22.48 trillion in 2009 – a 30.1 percent year-on-year improvement from 2008.

(Source: Independent Market Research Report on "Strategic Analysis of the RTS Food Industry China" by Protégé Associates)

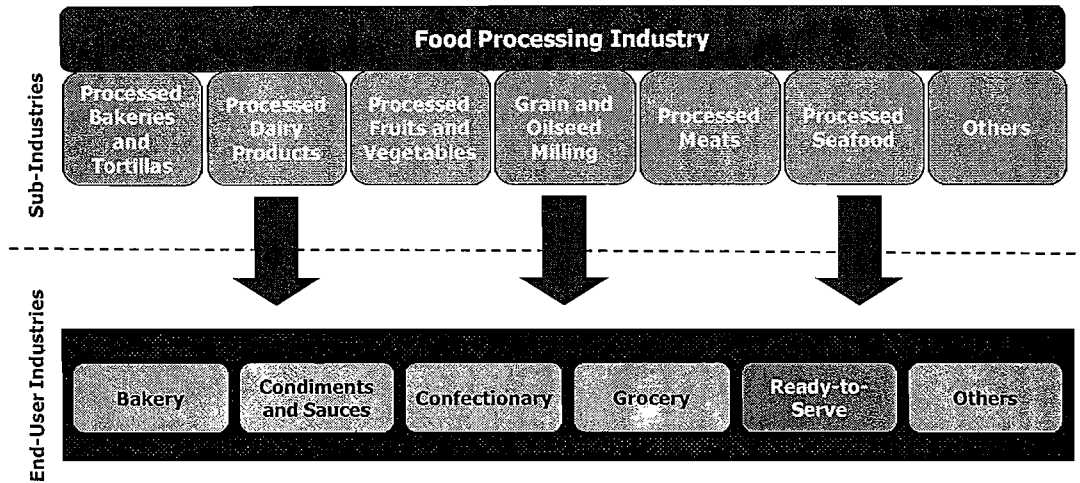
4.20.2 Overview of the Food Processing Industry

The Food Processing Industry is both a diverse and complex industry comprising several sub-industries which can be further segmented into multiple end user industries.

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4. INFORMATION ON OUR GROUP (CONT'D)

An overview of the overall structure of the Food Processing Industry is as follows:-



The Food Processing Industry is typically divided into seven core sub-industries namely the bakeries and tortillas, processed dairy products, processed fruits and vegetables, grain and oilseed milling, processed meats and processed seafood with the remaining sub-industries such as animal products being grouped under others. These sub-industries rely heavily on raw materials that are sourced from the agriculture sector. Food processing sub-industries are responsible for converting fresh agricultural produce into processed food. The output of these sub-industries is then supplied to the various end-user industries.

End-user industries produce and market various categories of consumer-ready food products. End-user industry participants convert foods processed by the sub-industries into consumer-ready food products by applying a varying extent of additional food processes. Groceries, for example involve very little processing, while the production of condiments typically involve more extensive processing. Participants in these end-user industries are also sometimes involved in the packaging of food products.

(Source: *Independent Market Research Report on "Strategic Analysis of the RTS Food Industry China" by Protégé Associates*)

As our Group is principally involved in the production of RTS Food, our Group operates primarily within the RTS Food Industry.

4.20.3 Overview of the RTS Food Industry

The overview of the RTS Food Industry in China is set out in the Executive Summary of the Independent Market Research Report prepared by Protégé Associates set out in Section 10 of this Prospectus.

4.20.4 Past Performance and Future Growth

Details on the past performance and future growth of the RTS Food Industry in China are set out in the Executive Summary of the Independent Market Research Report set out in Section 10 of this Prospectus.

4. INFORMATION ON OUR GROUP (CONT'D)

4.20.5 Prospects and Outlook of the RTS Food Industry

The future is anticipated to hold bright prospects for RTS Food as they are expected to continue growing in popularity among global as well as Chinese consumers. A gradual continuous shift in food consumption patterns towards RTS Food is likely as the global society becomes increasingly time poor. In China, rapid urbanisation is governing its population's shift towards busier lifestyles and hence more convenient meals. This shift presents China's RTS Food Industry with many exciting growth opportunities. Additionally, the ready popularity of RTS Food in more mature global markets such as Japan is likely to create sustained demand for China's RTS Food exports. On the flipside, local RTS Food industry players have to be wary of factors that may stifle industry growth, including pervasive global inflation and food safety issues.

Moving forward, the Chinese RTS Food Industry is likely to be driven by the following local factors, augmented by growth drivers affecting the Japanese market:-

- Changing eating habits caused by fundamental societal changes;
- Modernisation of the food distribution landscape;
- Uncompromised demand for high quality food in Japan;
- Favourable government policies supporting rural area and agriculture sector development in China;
- China's growing national population; and
- Rising ownership of refrigerators in China.

Meanwhile, the growth of the local RTS Food Industry could be stifled by these restraints pertinent to the Chinese and Japanese markets:-

- Upward inflationary pressure from persistent high oil prices in China and Japan;
- The effect of global warming on agricultural activities in China;
- Rising labour costs in China;
- Public perception of safety in RTS Food in Japan;
- Growing trend of eating out in Japan; and
- Perceived low nutrition benefit of RTS Food in Japan.

In order to be successful, industry players need to be attentive and responsive to major industry trends such as the global concern for food quality and safety, changing consumer trends and global inflation. Past cases of contamination in shipments of processed foods manufactured in China have hampered the global consumer's confidence in China-made processed foods. Local industry players have to be diligent in complying with global food safety standards, if they are to counter these negative perceptions.

RTS Food manufacturers also have to be receptive of dynamic consumer trends that may lead to changes in food consumption patterns. Changing their product offering and marketing strategy in line with these trends will ensure industry players' relevance in a fast-evolving consumer market. At the same time, manufacturers have to be wary of rising production costs, largely attributable to the rise in fuel and food prices worldwide.

Based on the above assessment, Protégé Associates expects that the growth of the Chinese RTS Food Industry will remain positive.

(Source: *Independent Market Research Report on "Strategic Analysis of the RTS Food Industry China" by Protégé Associates*)

4. INFORMATION ON OUR GROUP (CONT'D)

4.20.6 Critical Success Factors

Critical success factors for industry players in the RTS Food Industry include the following:-

(i) Building Good Relationships with Suppliers and Food Retailers

Maintaining good working relationships with suppliers and distribution channels such as food retailers is vital to the success of RTS Food manufacturers.

(a) Local Fresh Food Stocks Suppliers

It is very important for the producers of RTS Food to have good relationships with the local fresh food stocks suppliers. With good relationships, a producer stands a better chance of securing the necessary available fresh food stocks over its competitors. This critical success factor is very relevant to the local RTS Food Industry given the competition for the supply of fresh food stocks. Without these stocks, no production can commence and as a result, no revenue is generated. Although the stocks can be sourced from the international market, the imports are expected to be inferior to locally sourced stocks in terms of freshness.

(b) Food Retailers

In terms of sales and marketing, the industry players in the RTS Food Industry need to compete with each other for the availability of shelf space in the food retail outlets. This is particularly prominent in the situation where there are many brands competing for the limited available shelf spaces.

Industry players that have a close relationship with the food retailers stand a better chance of securing the required shelf space including ideal display locations to enhance product visibility.

(ii) Close Proximity to Fresh Food Stocks Suppliers, Transportation Infrastructures and Customers

Being in close proximity with supply sources and transportation infrastructure is also vital to the success of every RTS Food manufacturer.

(a) Close Proximity to the Fresh Food Stocks Suppliers

Industry players in the RTS Food Industry that operate near their fresh food stocks suppliers stand to enjoy certain competitive advantages. The procured raw agricultural commodities are relatively fresher and therefore, have longer shelf lives. Besides that, they also enjoy savings on transportation costs due to shorter travelling distances.

4. INFORMATION ON OUR GROUP (CONT'D)

(b) Close Proximity to Trading Ports

This critical success factor is particularly relevant to the industry players in the RTS Food Industry that intend to tap into the export market. Close proximity with the trading ports shortens the delivery time of exported products. In addition, they are also able to enjoy cost savings on transportation charges due to shorter travelling distances to trading ports. The key trading ports for RTS Food products in China are typically seaports that are located at the coastal city such as Qingdao in Shandong Province.

(c) Close Proximity to Customers

By being close to their customers, Chinese exporters of RTS Food are also able to save on transportation charges and speed up the delivery time of their products to the customers.

(iii) Executing Good Branding Strategies

Given that the RTS Food Industry exhibits almost commodity-like characteristics where product differentiation is relatively minimal, good branding strategies can go a long way towards increasing the market visibility and recognition of an industry participant. A good product coupled with strong branding strategies can help to gain the necessary goodwill and trust among consumers particularly when it comes to processed food products such as RTS Food. Furthermore, strong branding can help to mitigate the risk of easy substitution of suppliers whose products are non-branded commodity-like products. In addition, the producers are able to attach a slight premium on the pricing of their product with the presence of a strong brand.

(iv) Building a Large and Strong Distribution Network

In the retail sector, owning or having access to a large and strong distribution network is vital for sales growth as it grants food manufacturers' access to a larger pool of consumers. This is especially true in the local RTS Food industry where existing industry players build their distribution networks in various parts of China and around the world (for RTS Food exporters) to reach a critical customer mass. A large distribution network also enables the industry players to reap the benefit of economies of scale as more items can be displayed and sold to a larger potential consumer base at various points in the distribution network.

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4. INFORMATION ON OUR GROUP (CONT'D)

(v) Exercising Flexibility in Adapting to the Ever-changing Consumer Needs

Industry participants of the Chinese RTS Food Industry that are flexible in exercising their marketing and operational strategies to cater for the growing consumer demand have a good chance of staying ahead of competition. Such demand includes the requests for more sophisticated or value-added products. In addition, the dynamic nature of consumer's tastes is due to their ever-changing needs. Thus, the producers of RTS Food stand to lose market share if they fail to adapt to the new demands. For example, some customers may request for a particular length of cut-sized frozen asparagus only and therefore bring about the need for the producer to engage in stringent sizing operations as part of their production process in order to capture demand from this segment. In addition, with proper product development and innovation, they can also strengthen their capabilities in meeting the ever-changing consumer needs.

This criterion is particularly important for the producers of RTS Food that intend to penetrate into the export market. The demand at the international market is typically not uniform where many different segments may exist depending on key areas such as cultural and religious background, taste and income. Hence, flexibility is an important trait to possess among the exporters of RTS Food.

(vi) Effective Labelling and Certification of RTS Food

Producers of RTS Food that have effective labelling and the necessary certification stand a good chance of gaining a competitive edge particularly when venturing into international trade. Among the good parameters that can be taken into consideration for both compulsory or voluntary labelling and certification include environmental friendliness, quality and other social values. In addition to meeting the regulatory requirements, if any, the use of labels such as 'eco-friendly' (with corresponding explanations) and quality certification such as the ISO 9000 standards will likely boost the image of the products offered as well as help garner favourable attention from consumers, importers and retailers.

(vii) Retention of Skilled and Experienced Workers

The RTS Food Industry players who are able to retain skilled and experienced workers can look forward to gaining operational competitiveness and sustaining good product development and innovation efforts. The skilled and experienced workers may include the researchers, food engineers, senior management and production facility operators. They are expected to play a major role in effective cost and product management especially in the raw material, compliance with health regulation, inventory and human resource management along with product development.

(Source: Independent Market Research Report on "Strategic Analysis of the RTS Food Industry China" by Protégé Associates)

4. INFORMATION ON OUR GROUP (CONT'D)

4.20.7 Competition and Industry Players

(i) Competition

The number of industry players in the local RTS Food industry is estimated to be at around 1000-2000. China's RTS Food industry is highly fragmented with industry players ranging from small to very large industry players. Larger industry players include major national food manufacturers whose operations are diversified among various provinces in China. Smaller industry players are scattered among China's agricultural provinces, producing and selling RTS Food in small amounts. All these players may also be involved in the production of other fresh or processed food, with RTS Food representing only a fraction of their total output.

(ii) Industry Players

The followings are selected major players in the Chinese RTS Food industry. However, the list of these major players is not exhaustive and each major player's product offerings may not be completely similar with each other:-

- China Kangda Food Company Limited;
- China Yurun Food Group Limited;
- Haitong Food Group Co., Ltd;
- Henan Shuanghui Investment and Development Co Ltd;
- People's Food Holdings Limited;
- Rizhao Hengbao Foodstuffs Co. Ltd;
- Shanghai Maling Aquarius Co. Ltd; and
- Synear Food Holdings Ltd.

Further details on the competitive structure of the RTS Food Industry in China and key players analysis are set out in the Executive Summary of the Independent Market Research Report set out in Section 10 of this Prospectus.

(Source: Independent Market Research Report on "Strategic Analysis of the RTS Food Industry China" by Protégé Associates)

4.20.8 Market Size and Share

(i) Market Size

Protégé Associates estimates that the revenue for the Chinese RTS Food Industry in 2009 was RMB236.44 billion. Approximately 13.9 percent or RMB32.84 billion of the Chinese RTS Food Industry revenue came from export markets such as Japan, Korea, Hong Kong, US and the European Union in 2009.

Protégé Associates estimates that the revenue for Shandong Province's RTS Food industry in 2009 was RMB14.56 billion. Of the entire estimated industry size in 2009, approximately RMB2.08 billion was attributed to export sales to overseas markets such as Japan, Korea, Hong Kong, US and the European Union. In 2009, export revenue accounted for 14.3 percent of the industry size.

4. INFORMATION ON OUR GROUP (CONT'D)

In estimating the market size/ revenue for the Chinese RTS and Shandong Province RTS Food Industry, Protégé Associates relied on a detail combination of both secondary and primary researches. This involve understanding the total food industry both from the domestic front as well as the countries China exports to.

The main secondary researches conducted by Protege Associates were with the National Bureau of Statistics of China, National Agricultural Census, China Government Official Web Portal etc. These are the main sources for all the food and ready-to-serve industry related data and statistics in China as well as for the Shandong Province. These sources provided the trends and movements of the food industry but more importantly highlighted movements for the domestic and export revenue numbers.

Protégé Associates also relied on other sources as shown below for further understanding of the domestic and foreign marketplace. Some of the main sources include:-

- Food and Agriculture Organisation of the United Nations ("FAO")
- State Administration for Industry and Commerce ("SAIC"), People's Republic of China
- Japan External Trade Organisation ("JETRO")
- USDA Foreign Agriculture Services
- Agriculture and Agri-Food Canada
- World Economic Forum
- Malaysia External Trade Development Corporation ("MATRADE")
- National Development and Reform Commission of China ("NDRC")
- International Monetary Fund ("IMF")

Once secondary researches were completed, Protege Associates then conducted primary market researches with the key market players, association etc in China. This is done to verify and support the government and statistical trends movement and more importantly the internal findings and market figures.

Discussions were carried out with key players and their individual revenue numbers ascertained from annual reports and websites of key listed companies in China such as China Kangda, China Yurun, Haitong Food Group, People's Food, Henan Shuanghui and most importantly the Shandong People Municipal Government. All trend movements from key China government statistics were substantiated and verified with these players.

4. INFORMATION ON OUR GROUP (CONT'D)

(ii) Market Share

For FYE 2009, Rizhao Hengbao garnered revenue of approximately RMB608.8 million and PBT of approximately RMB206.2 million. With its revenue of approximately RMB608.8 million, Rizhao Hengbao has captured an estimated market share of around 4.2 percent of Shandong Province's RTS Food Industry in 2009.

(Source: Independent Market Research Report on "Strategic Analysis of the RTS Food Industry China" by Protégé Associates)

4.20.9 Relevant Laws and Regulations Governing the RTS Food Industry

The relevant laws and regulations governing the RTS Food Industry are set out in the Executive Summary of the Independent Market Research Report set out in Section 10 of this Prospectus.

4.20.10 Demand and Supply Conditions

The demand and supply conditions are set out in the Executive Summary of the Independent Market Research Report set out in Section 10 of this Prospectus.

4.20.11 Substitute Products

RTS Food competes with other categories of food within the food processing industry as well as fresh foods to become consumers' food of choice. Nevertheless, for the majority of customers, one food category is not an absolute substitute for the others; consumers usually consume a mix of fresh and processed food, and not exclusively those from a single category. However, the mix of food consumed varies among individual consumers, depending on their preferences, lifestyle, preferred preparation methods and purchasing power.

(Source: Independent Market Research Report on "Strategic Analysis of the RTS Food Industry China" by Protégé Associates)

4.20.12 Reliance on and Vulnerability to Imports

Generally, food processors in China source their raw materials locally in China. Our Group sources our raw materials from local suppliers who are located at close proximity to our production plants in Ju County, Rizhao City, Shandong Province in the PRC.

China is home to a vibrant and industrious agricultural sector which is a critical supplier of raw materials to the RTS Food Industry. The total gross output value of farming, forestry, animal husbandry and fishery in China exceeded 5 trillion Yuan in 2008.

Given the strong contribution from the local agriculture sector, it is unsurprising that the country has been able to achieve self-sufficiency in food production for domestic consumption and downstream processing. Various key agricultural products such as vegetables, fruits, fish and seafood products, poultry meats can be sourced locally. In other words, the industry players in the RTS Food Industry have critical access to the required raw materials with minimal dependency on imports.

(Source: Independent Market Research Report on "Strategic Analysis of the RTS Food Industry China" by Protégé Associates)

4. INFORMATION ON OUR GROUP (CONT'D)

4.21 FUTURE PLANS, STRATEGIES AND PROSPECTS

4.21.1 Future Plans and Business Strategies

Moving forward, our Group's objectives are to become the PRC market leader in the gourmet convenient food sector, in particular, in the duck RTS Food products segment and to be an internationally recognised convenient food specialist. In order to achieve our Group's objectives, we plan to implement a multi-pronged strategies approach which will enhance our Group's supplies and quality of raw materials, production capabilities and capacities, as well as the distribution channels of our products both in the PRC as well as globally. These plans and strategies are as follows:-

(i) Setting Up of A Modern Poultry Farming and Breeding Facility

As the largest poultry farming base in the PRC and one of the largest agricultural provinces in the PRC, Shandong Province is widely regarded as being at the forefront of policing and implementing food safety and food quality standards in the PRC. As part of the Shandong Province government's continual efforts to improve safety and quality standards of food exports, in the second half of 2008, the Shandong Province's Custom Authority implemented a "3-tier food safety defence scheme: raw material management, food processing supervision and control, exports inspection" ("三道防线方案: 源头管理、加工过程监控、出口检测"). In particular, for export products, all food manufacturers in Shandong Province must use raw materials which are produced or purchased from suppliers who are approved for export only ("Approved Suppliers").

We currently purchase all of our raw materials, including duck meat which accounted for approximately 18.90% and 32.15% of our Group's total purchases in FYE 2008 and FYE 2009 respectively from Approved Suppliers. As such, to enhance our Group's competitiveness and to ensure that we will continue to have access to stable supplies of high quality key raw materials, we intend to expand our operations to include poultry farming and breeding, in particular, duck farming. Duck farming is a well established activity in Shandong Province and duck farming techniques and know-how are mature and stable in Shandong Province. In this regard, in late 2008, with the support of the government authorities of Ju County, our Group successfully conducted and concluded detailed feasibility studies on duck farming and we are currently in the process of searching for a suitable site in Ju County for our proposed modern poultry farming and breeding facility.

Our Group's Chief Executive Officer, Shen Hengbao graduated from Linyi Agricultural Academy with a degree in livestock farming and veterinary medicine, and had previously headed the Livestock Obstetrics Department of Ju County Foreign Trade Company for approximately eight (8) years (as detailed in Section 5.1.2 (ii) of this Prospectus). During the said tenure, he was actively involved in livestock and poultry farming, breeding research and development, and operations work.

4. INFORMATION ON OUR GROUP (CONT'D)

In preparation for our Group to enter into the duck farming and breeding business, our Group had employed Zhang Quanchen as a Farm Manager in Rizhao Hengbao. Zhang Quanchen is an experienced poultry farming expert based in Ju County. Zhang Quanchen graduated from Shandong Agricultural University with a degree in livestock farming in 1986. He had previously held various key positions in Ju County Veterinary Hospital and prior to joining Rizhao Hengbao, he was the Managing Director of Shandong Liuhe Poultry Farming Co., Ltd., a well-established poultry farming enterprise in Ju County (which caters for the domestic poultry market) from 2002 to 2008.

Based on the experience of Shen Hengbao and Zhang Quanchen, our Directors are of the view that our Group possesses the necessary experience and expertise to venture into the duck farming and breeding business.

Barring unforeseen circumstances, we plan to commence construction of our modern poultry farming and breeding facility by the fourth quarter of 2010 and to commence commercial production by the third quarter of 2011.

Based on our management's assessment, the expected capital investment, including acquisition of land, factory construction costs and acquisition of plant and machinery required for our duck farming and breeding facility is approximately RM15.0 million, which we intend to finance RM5.0 million from the IPO proceeds to be raised and the balance from our internally generated funds as detailed in Section 2.6 of this Prospectus.

(ii) Setting Up of A Modern Poultry Processing Facility

In line with our plans to set up a modern poultry farming and breeding facility, our Group also plans to set up a modern poultry processing facility which will have a built-up area of approximately 18,000 square metres and capable of processing up to 10 million ducks per annum. In addition to supplying poultry raw materials to our Group, in the event of excess production capacity, we may also supply poultry raw materials to other PRC food manufacturers or provide poultry processing services to other poultry farmers. In this regard, we are currently in negotiation with the relevant authorities of Ju County to finalise the acquisition of a piece of 23,400 square metres land located adjacent to our second production plant at an estimated cost of RM2.50 million.

Subject to receipt of the necessary approvals from the relevant authorities, we plan to commence construction of our modern poultry processing facility by the fourth quarter of 2010. Barring unforeseen circumstances, we expect our poultry processing facility to commence commercial production by the third quarter of 2011.

Based on our management's assessment, the expected total capital investment, including acquisition of land, factory construction costs and acquisition of plant and machinery required for our poultry processing facility is approximately RM15.0 million, which we intend to finance RM5.0 million from the IPO proceeds to be raised and the balance from our internally generated funds as detailed in Section 2.6 of this Prospectus.

4. INFORMATION ON OUR GROUP (CONT'D)

(iii) Setting Up of A Third Production Plant and Corporate Headquarters Building in PRC

As part of our Group's overall expansion plan, we intend to carry out the second phase of our expansion plan in last quarter of 2010 which includes the construction of our third production plant and corporate headquarters building adjacent to our second production plant. Our third production plant will have the same built-up area and layout as our second production plant and will be dedicated to the production of RTS Food, in particular, duck RTS Food products.

Currently, only our second production plant is dedicated entirely for the production of RTS Food whilst our first production plant undertakes the production of all the four (4) categories of products, i.e. RTS Food, frozen vegetables, canned food and others. Details on our Group's current installed production capacities and estimated utilisation rates are set out in Section 4.15(iv) of this Prospectus.

Under the existing arrangements for our first production plant, the production time available for RTS Food is constrained by the production time allocated for the production of frozen vegetables as well as the maintenance and cleaning time required whenever there is a switch over from RTS Food to frozen vegetables and vice versa. Henceforth, to improve future production efficiency, the third production plant will be set up to cater entirely for the production of RTS Food whilst our first production plant will be dedicated entirely for the production of frozen vegetables, canned food and others.

In addition, the size of our Group's installed production capacity for RTS Food has a direct and important impact on the size of the orders for RTS Food that our Group will be able to secure from our customers. As such, with the addition of the third production plant, our Group will potentially be able to secure larger orders from our customers.

Upon completion of construction and commencement of operation in 2011, our third production plant will increase our annual production capacity from 38,880 tonnes to 56,160 tonnes. In line with our Group's objective to become the PRC market leader in the gourmet convenient food sector and an internationally recognised convenient food specialist, we intend to concurrently, during the construction of our third production plant, commence construction of our modern corporate headquarters building. Our management is of the view that our new corporate headquarters building, which will have a total built-up area of approximately 5,000 square metres, will play an important role in our efforts to grow our customer pool, in particular, overseas and internationally reputed customers.

Based on our management's assessment, the expected total capital investment, including factory construction costs and acquisition of plant and machinery, required for our third production plant and corporate headquarters building, is approximately RM40.0 million, which we intend to finance RM15.0 million from the IPO proceeds to be raised and the balance from our internally generated funds as detailed in Section 2.6 of this Prospectus. In the event the actual investment costs are higher than estimated, the deficit will be funded via our internally generated funds.

4. INFORMATION ON OUR GROUP (CONT'D)

(iv) Introduction of New Products and Entering into New Overseas Markets for Existing Products

In order to stay ahead of the competition, as well as to reach out to a wider target market, especially the overseas markets, our Group intends to gear up on our product development and sales and marketing efforts to introduce and market new products for certain of our product segments.

For our RTS Food segment, we were approached by a Japanese trading company in 2008 to venture into the gourmet Japanese sausages market. In this regard, our product development team has been working closely with representatives of the Japanese trading company to develop a range of high quality gourmet sausages. We have commenced pilot production of the gourmet sausages in the first half of 2010 and we expect to introduce and market the gourmet sausages by the first quarter of 2011.

In addition to the above, for RTS Food segment, we also intend to enter into the South East Asia market in 2011 via overseas wholesalers and distributors. In this regard, our Group had applied to the relevant authorities in Singapore and Malaysia for approval to export our RTS Food products to Singapore and Malaysia. Our management is confident that our RTS Food products will be well received by consumers in Singapore and Malaysia in view of the two (2) countries' internationalised culinary cultures as well as the trend towards working families with high disposable income. Barring unforeseen circumstances, we expect to receive the necessary approvals to export our RTS Food products to Singapore and Malaysia by the first half of 2011.

Our Group also intends to aggressively market our range of high quality healthy VF Snacks and asparagus tea to certain countries in South East Asia including but not limited to Singapore and Malaysia in 2011 under our own in-house brand name "Geleifu" via overseas wholesalers and distributors. Our management is of the opinion that health consciousness is a growing concern as people's standards of living improve and the trend in the future will be towards healthy snacks.

We intend to finance our introduction of new products and entering into new overseas markets for our existing products through internally generated funds.

(v) Establishing Ourselves in the PRC Domestic Market

One of the key future plans of our Group involves entering and establishing ourselves in the PRC domestic market. The PRC is currently one of the largest economy in the world and the fastest growing economy and market in the world. With rapid growth in gross domestic product and purchasing power over the last ten (10) years, the PRC had managed to attract close attention of the international trade community.

4. INFORMATION ON OUR GROUP (CONT'D)

As a PRC company, coupled with our Group's vast experience in export trade, our management believes that our subsidiary, Rizhao Hengbao, is well poised to firmly establish itself as a major player in the high quality PRC domestic convenient food market, in particular, in the RTS Food segment. In this regard, our Group had started distributing certain of our products, namely RTS Food and VF Snacks, partly through our own marketing efforts and partly through well established PRC agents, to restaurants and supermarkets in major cities of the PRC, namely Beijing, Shanghai and Shenzhen, since the second quarter of 2009.

Going ahead, we intend to progressively increase our product offerings in the PRC as well as to enlarge our distribution channels to include other major and fast growing cities of the PRC, including but not limited to, Shenzhen, Guangzhou, Hangzhou, Tianjin and Nanjing. To expedite our growth in the PRC, we intend to recruit qualified professionals with expertise and experience in the PRC domestic market to join our management team and we may consider, where appropriate and when the opportunity arises, acquiring food related businesses which will complement our business and operations.

We intend to utilise internally generated funds to build up our brand names in the PRC as well as to build up our distribution channels in the PRC.

(vi) Construction of Halal Food Processing Facility in Malaysia

Another key future plan of our Group involves investing in a Halal food processing facility in Malaysia by 2011. Our Group has identified and is currently evaluating Port Klang Free Zone or Iskandar Malaysia as potential location for the future plant. Malaysia is selected as the potential production base as it is a modern, peaceful and prosperous Islamic country that is proactive in promoting Halal products. Malaysia is well known as a global Halal food hub in the region and the Halal certification in Malaysia is the only one in the world where it is certified by a government body.

The stringent process by the Malaysian Government has made the Halal certification highly recognised and sought after by companies all over the world. Accordingly, our Group opines that a Halal Food processing facility in Malaysia will enhance our Group's Halal food products in the global Halal food market.

In addition, the strategic location of Port Klang Free Zone and Iskandar Malaysia facilitates the sourcing of raw materials due to its close proximity to raw material suppliers both in Malaysia as well as in neighbouring countries such as Thailand and Indonesia. Both Port Klang Free Zone and Iskandar Malaysia are also situated at a strategic part of Malaysia, where the former is situated adjacent to Port Klang, the world's 15th ranked port in 2009 in terms of throughput volume, while the latter has efficient air linkages through the state's Senai International Airport as well as Singapore's Changi Airport, land transportation through roads, railways as well as sea (via Pasir Gudang Port, Port of Tanjung Pelepas and Tanjung Langsat Port). This strength enables our Group to reach its intended target markets effectively and efficiently.

4. INFORMATION ON OUR GROUP (CONT'D)

The venture into the Halal food market is expected to present a bright prospect for the Group. The Halal food market is worth about USD2.1 trillion globally and is still growing at a healthy rate annually. The current conditions in the global Halal food industry have triggered the need to penetrate into the Halal market, as demands for genuine Halal products as well as the Muslim population all over the world has increased tremendously over the years.

The Malaysian Government provides various financial incentives such as tax breaks to Halal food producers in the country in its efforts to promote itself as a hub for Halal products. The Malaysia External Trade Development Corporation (MATRADE), the country's national trade promotion agency has also encouraged local food manufacturers to form strategic alliances with PRC food producers to tap into the global Halal markets.

Our Group currently does not have experience in producing Halal food. However, for our proposed Halal food processing facility in Malaysia, our Group intends to work closely with Agro Treasures, our substantial shareholder, on all key issues, including employing Malaysian experts or management staffs who possess the requisite experiences.

Based on our management's assessment, the expected total capital investment, including acquisition of land, factory construction costs and acquisition of plant and machinery, required for the setting up of Halal food processing facility in Malaysia will be at least RM15.0 million, which we intend to finance RM5.0 million from the proceeds to be raised from the IPO and the balance from our internally generated funds as detailed in Section 2.6 of this Prospectus. In the event the actual investment costs are higher than estimated, the deficit will be funded via our internally generated funds.

In light of the potential of the RTS Food Industry as set out in Section 4.20.5 of this Prospectus, in particular, the duck RTS Food segment, coupled with our Group's competitive strengths as set out in Section 4.6 of this Prospectus and our Group's commitment and dedication to implement the future plans and strategies set out herein, our Directors believe that the prospect of our Group is favourable.

4.21.2 Proposed Secondary Listing in Hong Kong

To boost our profile and prestige on Bursa Securities, we intend to seek a secondary listing of our Company on the Main Board of The Stock Exchange of Hong Kong Limited within one (1) year from the date of our Listing ("**Proposed Secondary Listing**").

Our Board is of the view that it is desirable for our Company to have dual listing status in both Malaysia and Hong Kong as we would then be able to tap readily into two (2) separate equity markets in Asia when the market opportunity arises. Furthermore, the Proposed Secondary Listing will widen the investor base of our Company so that we may benefit from our exposure to a wide range of private and institutional investors, thereby increasing the trading liquidity of our Shares.

4. INFORMATION ON OUR GROUP (CONT'D)

The Proposed Secondary Listing is also in line with our Group's focus on our business operations in the PRC and is expected to further enhance our reputation in the greater China region. Further, with zero capital restrictions, numerous tax advantages, currency convertibility and the free transferability of securities, Hong Kong offers an attractive market for both our Company and our investors.

We are presently actively engaging with a prominent Adviser in Hong Kong to firm up the dual listing plan and expect to formally appoint the Adviser in due course. However, it should be noted that the Proposed Secondary Listing is subject to the prevailing market conditions and circumstances of our Group, the approval of the relevant regulatory authorities in Malaysia and Hong Kong and the approval of our shareholders to be obtained in due course.

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5. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

5.1 PROMOTERS

5.1.1 Particulars and Shareholdings of Promoters

The details of our Promoters and their shareholdings in our Company before and after the IPO are set out below:-

Name	Nationality/ Country of Incorporation	Before the IPO ^(a)				After the IPO ^(b)			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Hengbao Foodstuffs	BVI	267,202,000	64.76	-	-	267,202,000	57.09	-	-
Shen Hengbao	Chinese	-	-	^(c) 267,202,000	64.76	-	-	^(c) 267,202,000	57.09

Notes:-

- (a) Based on our issued and paid-up share capital of 412,620,000 Shares after the Subdivision and Conversion.
 (b) Based on our enlarged issued and paid-up share capital of 468,000,000 Shares after the IPO.
 (c) Deemed interested by virtue of his interest in Hengbao Foodstuffs pursuant to Section 6A of the Malaysian Companies Act.

5.1.2 Profiles of Promoters

The profiles of our Promoters, Hengbao Foodstuffs and Shen Hengbao are as set out below:-

(i) Hengbao Foodstuffs

(a) Background Information

Hengbao Foodstuffs was incorporated in BVI under the BVI Business Companies Act, 2004 on 26 June 2008 as a business company under its present name. Hengbao Foodstuffs is principally an investment holding company.

As at LPD, the authorised share capital of Hengbao Foodstuffs is 50,000 shares of one class with no par value. The issued and paid-up share capital of Hengbao Foodstuffs is 1,000 shares.

(b) Directors and Shareholders

The particulars of the Directors, shareholders and their respective shareholdings in Hengbao Foodstuffs as at LPD are as follows:-

Name	No. of Shares Held in Hengbao Foodstuffs			
	Direct	%	Indirect	%
<u>Directors and Shareholders</u>				
Shen Hengbao	686	68.60	-	-
Meng Xiangzhen	149	14.90	-	-
<u>Shareholders</u>				
Wu Fang	110	11.00	-	-
Yao Zhifang	32	3.20	-	-
Shi Geli	23	2.30	-	-

5. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)

(ii) Shen Hengbao (申恒宝)

Shen Hengbao, a PRC national, aged 48, was appointed as our Chief Executive Officer on 12 October 2009. He is the founder of our Group and has more than 25 years of experience in the PRC 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 the Factory Manager in 1990 where he was put in-charge of the day-to-day management. In 1998, he joined Shandong Foodstuffs Import and Export Company (山东食品进出口公司) ("**Shandong Foodstuffs**"), 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 Shandong Province which were engaged in the manufacturing of foodstuffs for export markets, in particular, to Japan. Examples of state-owned companies which he was in-charge of when he was a Deputy General Manager at Shandong Foodstuffs includes Ju County Shanfu Foodstuffs Co., Ltd. (莒县山孚食品有限公司), Ju County Canned Food Factory (莒县罐头食品厂), Juxian Frozen Foodstuffs Factory (莒县冷冻食品厂) and Juxian Baoling Art and Craft Co., Ltd (莒县宝菱工艺品有限公司).

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 formed during his time at Shandong Foodstuffs, in particular, contacts with major Japanese F&B companies, he successfully grew Rizhao Hengbao into a well established F&B export company over a short time span.

As recognition of his leadership in spearheading Rizhao Hengbao's growth, he was appointed as an executive member of the 4th committee of the China Council for Promotion of International Trade (Shandong) (中国国际商会山东分会) in 2007 and he was also elected as a member of the people's representative congress of Rizhao City since 2007.

5. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)

5.2 SUBSTANTIAL SHAREHOLDERS

5.2.1 Particulars and Shareholdings of Substantial Shareholders

The details of our substantial shareholders and their shareholdings in our Company before and after the IPO are set out below:-

Name	Nationality/ Country of Incorporation	Before the IPO ^(a)				After the IPO ^(b)			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Hengbao Foodstuffs	BVI	267,202,000	64.76	-	-	267,202,000	57.09	-	-
Shen Hengbao	Chinese	-	-	^(c) 267,202,000	64.76	-	-	^(c) 267,202,000	57.09
Agro Treasures	Malaysia	48,805,540	11.83	-	-	48,805,540	10.43	-	-
Khazanah	Malaysia	-	-	^(d) 48,805,540	11.83	-	-	^(d) 48,805,540	10.43
Vida	Malaysia	-	-	^(d) 48,805,540	11.83	-	-	^(d) 48,805,540	10.43

Notes:-

- (a) Based on our issued and paid-up share capital of 412,620,000 Shares after the Subdivision and Conversion.
- (b) Based on our enlarged issued and paid-up share capital of 468,000,000 Shares after the IPO.
- (c) Deemed interested by virtue of his interest in Hengbao Foodstuffs pursuant to Section 6A of the Malaysian Companies Act.
- (d) Deemed interested by virtue of its interest in Agro Treasures pursuant to Section 6A of the Malaysian Companies Act.

Save for the foregoing, we are not aware of any other person who directly or indirectly, jointly or severally, has significant influence over us.

5.2.2 Profiles of Substantial Shareholders

The profiles of our substantial shareholders, Hengbao Foodstuffs and Shen Hengbao who are also our Promoters are disclosed in Section 5.1.2 of this Prospectus.

(i) Agro Treasures

(a) Background Information

Agro Treasures was incorporated in Malaysia under the Malaysian Companies Act on 12 November 2007 as a private limited company under its present name. Agro Treasures is a special purpose fund vehicle set up to invest specifically in the agricultural and food sector. The fund was initiated by Khazanah and Vida.

5. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)

As at LPD, the authorised share capital of Agro Treasures is RM1,000,000 comprising 100,000 ordinary shares of RM1.00 each and 90,000,000 preference shares of RM0.01 each. The issued and paid-up share capital of Agro Treasures is RM755,900 comprising 100 ordinary shares of RM1.00 each and 75,580,000 preference shares of RM0.01 each.

(b) Directors and Shareholders

The particulars of the Directors, shareholders and their respective shareholdings in Agro Treasures as at LPD are as follows:-

Name	No. of Shares Held in Agro Treasures			
	Direct	%	Indirect	%
Ordinary Shares				
<u>Shareholders</u>				
Khazanah	15	15.00	-	-
Vida	85	85.00	-	-
<u>Directors</u>				
Lee Yu Lian (alternate to Raja Shamsul Kamal Bin R Shahrizzaman)	-	-	*85	85.00
Datuk Abdul Jamil Bin Mohd Ali	-	-	-	-
Abdullah Bin Abd Hamid	-	-	-	-
Raja Shamsul Kamal Bin R Shahrizzaman	-	-	*85	85.00
Preference Shares				
<u>Shareholders</u>				
Khazanah	74,825,808	99.00	-	-
Vida	754,192	1.00	-	-

Note:-

* Deemed interested by virtue of his/her interest in Vida pursuant to Section 6A of the Malaysian Companies Act.

(ii) Khazanah

(a) Background Information

Khazanah was incorporated in Malaysia under the Malaysian Companies Act on 3 September 1993 as a public limited company. Khazanah is the investment holding arm of the Government of Malaysia entrusted to manage the commercial assets held by the Government of Malaysia and to undertake strategic investments.

As at LPD, the authorised share capital of Khazanah is RM10,000,000,000 comprising 10,000,000,000 ordinary shares of RM1.00 each of which RM5,443,953,229 comprising 5,443,953,229 ordinary shares of RM1.00 each have been issued and fully paid-up.

5. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)

(b) Directors and Shareholders

The particulars of the Directors, shareholders and their respective shareholdings in Khazanah as at LPD are as follows:-

Name	No. of Shares Held in Khazanah			
	Direct	%	Indirect	%
<i>Shareholders</i>				
Minister of Finance, Inc.	5,443,953,228	99.99	-	-
Federal Land Commissioner	1	*	-	-
<i>Directors</i>				
Dato' Sri Mohd Najib Bin Tun Hj Abdul Razak	-	-	-	-
Dato' Seri Ahmad Husni Hanadzlah	-	-	-	-
Tan Sri Dato' Nor Mohamed Yakcop	-	-	-	-
Tan Sri Md Nor Yusof	-	-	-	-
Raja Tan Sri Dato' Seri Arshad Bin Raja Tun Uda	-	-	-	-
Datuk Seri Panglima Andrew Sheng	-	-	-	-
Dato' Mohammed Azlan Bin Hashim	-	-	-	-
Dato' Mohamed Azman Bin Yahya	-	-	-	-
Tan Sri Dato' Azman Bin Hj. Mokhtar	-	-	-	-

Note:-

* Insignificant.

(Source: Information extracted from Khazanah's website, www.khazanah.com.my as at LPD)

(iii) Vida

(a) Background Information

Vida was incorporated in Malaysia under the Malaysian Companies Act on 12 November 2007 as a private limited company under its present name. Vida is an investment holding company.

As at LPD, the authorised and issued and paid-up share capital of Vida is RM100,000 comprising 93,000 ordinary shares of RM1.00 each and 700,000 preference shares of RM0.01 each.

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5. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)

(b) Directors and Shareholders

The particulars of the Directors, shareholders and their respective shareholdings in Vida as at LPD are as follows:-

Name	No. of Shares Held in Vida			
	Direct	%	Indirect	%
Ordinary Shares				
<u>Directors and Shareholders</u>				
Lee Yu Lian	46,500	50.00	-	-
Raja Shamsul Kamal Bin R Shahrizzaman	46,500	50.00	-	-
Preference Shares				
<u>Shareholders</u>				
Lee Yu Lian	350,000	50.00	-	-
Raja Shamsul Kamal Bin R Shahrizzaman	350,000	50.00	-	-

5.3 SIGNIFICANT CHANGES IN THE PROMOTERS' AND SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS IN OUR COMPANY

Save as disclosed below, there are no other significant changes in the shareholdings of our Promoters and substantial shareholders in our Company for the past three (3) years preceding LPD:-

Name	Date	Direct		Indirect	
		No. of Shares	%	No. of Shares	%
<u>Substantial Shareholders</u>					
Wee Gi Mui	^(a) 12.06.2006	8,000	80.00	-	-
	02.11.2007	(8,000)	(80.00)	-	-
E-Eye Sdn Bhd	^(a) 12.06.2006	2,000	20.00	-	-
	25.09.2006	(2,000)	(20.00)	-	-
Mah Pow Tan	25.09.2006	2,000	20.00	-	-
	06.02.2008	200,000	6.67	-	-
	25.09.2009	(200,000)	(6.67)	-	-
Mah Quee Yong (Ma Guirong)	02.11.2007	8,000	80.00	-	-
	07.01.2008	28,000	93.33	-	-
	06.02.2008	2,800,000	93.33	-	-
	25.09.2009	(2,800,000)	(93.33)	-	-
Roscrea Investments Limited	08.09.2010	20,968,802	5.08	-	-
Agro Treasures	08.09.2010	48,805,540	11.83	-	-
Khazanah	08.09.2010	-	-	^(e) 48,805,540	11.83
Vida	08.09.2010	-	-	^(e) 48,805,540	11.83
<u>Promoters and Substantial Shareholders</u>					
Hengbao Foodstuffs	25.09.2009	3,000,000	100.00	-	-
	^(b) 03.02.2010	300,000,000	100.00	-	-
	^(c) 08.09.2010	300,000,000	72.71	-	-
	^(d) 08.09.2010	267,202,000	64.76	-	-
Shen Hengbao	25.09.2009	-	-	^(f) 3,000,000	100.00
	^(b) 03.02.2010	-	-	^(f) 300,000,000	100.00
	^(c) 08.09.2010	-	-	^(f) 300,000,000	72.71
	^(d) 08.09.2010	-	-	^(f) 267,202,000	64.76

5. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)

Notes:-

- (a) Date of incorporation of our Company.
- (b) Changes in its/ his shareholdings pursuant to the Subdivision.
- (c) Changes in its/ his shareholdings pursuant to the Conversion.
- (d) Changes in its/ his shareholdings pursuant to the Transfer.
- (e) Deemed interested by virtue of its interest in Agro Treasures pursuant to Section 6A of the Malaysian Companies Act.
- (f) Deemed interested by virtue of his interest in Hengbao Foodstuffs pursuant to Section 6A of the Malaysian Companies Act.

5.4 DIRECTORS

5.4.1 Particulars and Shareholdings of Directors

The details of our Directors and their respective shareholdings in our Company before and after the IPO are set out below:-

Name	Designation	Before the IPO ^(a)				After the IPO ^(b)			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Shen Hengbao	Chief Executive Officer			^(c) 267,202,000	64.76			^(c) 267,202,000	57.09
Meng Xiangzhen	Executive Director								
Lee Yu Lian	Non-Independent Non-Executive Director			^(d) 48,805,540	11.83			^(d) 48,805,540	10.43
Tan Gim Hwee	Independent Non-Executive Director								
Sun Shimin	Independent Non-Executive Director								
Ching Leng Team	Independent Non-Executive Director								
Poh Seng Hiap	Independent Non-Executive Director								

Notes:-

- (a) Based on our issued and paid-up share capital of 412,620,000 Shares after the Subdivision and Conversion.
- (b) Based on our enlarged issued and paid-up share capital of 468,000,000 Shares after the IPO.
- (c) Deemed interested by virtue of his interest in Hengbao Foodstuffs pursuant to Section 6A of the Malaysian Companies Act.
- (d) Deemed interested by virtue of her indirect interest in Agro Treasures via Vida pursuant to Section 6A of the Malaysian Companies Act.

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5. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)

5.4.2 Profiles of Directors

The profile of Shen Hengbao is set out in Section 5.1.2(ii) of this Prospectus. The profiles of our other Directors are as follows:-

(i) Meng Xiangzhen (孟祥贞)

Meng Xiangzhen, a PRC national, aged 43, 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 our 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) ("Shanfu Foodstuffs") as the Head of 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 Accounts Department. In 1999, she re-joined Shanfu Foodstuffs as its Deputy General Manager where she established invaluable F&B sales network and contacts, and gained valuable experience in managing F&B operations.

As our Executive Director, she is mainly responsible for overseeing the day-to-day operations of Rizhao Hengbao. She is also a substantial shareholder of Hengbao Foodstuffs.

(ii) Lee Yu Lian

Lee Yu Lian, a Malaysian, aged 40, was appointed as our Non-Independent Non-Executive Director on 15 September 2009. She holds a Bachelor of Law Degree, LLB from 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. Prior to joining Vida Partners, she was the Chief Operating Officer and Executive Director of CAV Private Equity Management Sdn Bhd until 2007. She was one of the pioneers in CAV Private Equity Management Sdn Bhd when she joined them in 1997 as an Investment Analyst. Currently, besides her macro responsibilities, she is hands on in a whole ambit of investment, fund raising and fund management activities.

Preceding her career in private equity in 1997, she was involved in corporate and commercial lending in Bank of Commerce Berhad and Southern Bank Berhad. She had also served as a Director in a host of boards of private and public investee companies.

5. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)

(iii) Tan Gim Hwee

Tan Gim Hwee, a Singaporean, aged 43, was appointed as our Independent Non-Executive Director on 12 October 2009. 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 nine (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 five (5) years of management experience in operations, finance and accounting with commercial organisations. Currently, he is a Chief Financial Officer of Yong Xin International Holdings Ltd, a company currently listed in Singapore.

(iv) Sun Shimin (孙世民)

Professor Sun Shimin, a PRC national, aged 48, was appointed as our Independent Non-Executive Director on 12 October 2009. 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 twenty five (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.

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5. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)

(v) Ching Leng Team

Ching Leng Team, a Malaysian, aged 43, was appointed as our Independent Non-Executive Director on 14 July 2010. 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 six (6) years with 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).

(vi) Poh Seng Hiap

Poh Seng Hiap, a Malaysian, aged 43, was appointed as our Independent Non-Executive Director on 14 July 2010. 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 sixteen (16) years of experience in the accounting and finance field where he was involved in strategic planning and operations in various industries. He has held various positions including as an Accountant and Vice President of Finance in an Indonesian-based company involved in the distribution of pharmaceutical products, a Head of Finance in a Singapore-based property development company and a Financial Controller in a Bangladesh garment company.

He is currently a Chief Financial Officer of Titi Latex Sdn Bhd, a private limited company in Malaysia.

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5. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)

5.4.3 Principal Directorships in Other Corporations for the Past Five (5) Years and Principal Business Activities Performed Outside Our Group

Save as disclosed below, our Directors do not have any directorship or any principal business activities performed outside our Group in other corporations for the past five (5) years preceding the LPD:-

Name	Company
Shen Hengbao	<i>Past directorship:-</i> <ul style="list-style-type: none"> ▪ Rizhao Hengbao Weizhimei Foodstuffs Co., Ltd. ^(a) (日照恒宝味之美食品有限公司)
Meng Xiangzhen	<i>Past directorship:-</i> <ul style="list-style-type: none"> ▪ Rizhao Hengkang Import and Export Co., Ltd. ^(b) (日照恒康进出口有限公司)
Lee Yu Lian	<i>Present directorship:-</i> <ul style="list-style-type: none"> ▪ Agro Treasures ▪ Atlit Sdn Bhd ▪ First Bondgain Sdn Bhd ▪ Hai Kee Hung Sdn Bhd ▪ Marwa Farm Services Sdn Bhd ▪ Vida Partners Sdn Bhd ▪ Vida Incorporated Sdn Bhd ▪ Vida Springboard Sdn Bhd ▪ Vida Managers Sdn Bhd ▪ Myagri Eco-Biosciences Sdn Bhd ▪ Malaysian Agri Hi-Tech Sdn Bhd <i>Past directorship:-</i> <ul style="list-style-type: none"> ▪ CAV Private Equity Management Sdn Bhd (formerly known as Komersial Inovasi Sdn Bhd) ▪ Commerce-KPF Ventures Sdn Bhd (formerly known as Escalate Capital Sdn Bhd) ▪ Carotech Berhad ▪ Fortlab Holdings Sdn Bhd ▪ Goodmaid Chemicals Corporation Sdn Bhd (formerly known as Foodtown Sdn Bhd) ▪ IHS Innovations Sdn Bhd ▪ IMU Education Sdn Bhd (formerly known as Sesama Medical College Management Sdn Bhd) ▪ Kualitas Healthcare Corporation Sdn Bhd (formerly known as GHH Healthcare Corporation Sdn Bhd) ▪ Titan Setup Sdn Bhd ▪ TMF Administrative Services Malaysia Sdn Bhd (formerly known as Hicks-Woode Corporate Services Sdn Bhd)
Tan Gim Hwee	<i>Present directorship:-</i> <ul style="list-style-type: none"> ▪ Cambridge Business Advisory Pte Ltd ▪ CapNex Capital Pte Ltd <i>Past directorship:-</i> <ul style="list-style-type: none"> ▪ Genexus International Trading Pte Ltd
Ching Leng Team	<i>Present directorship:-</i> <ul style="list-style-type: none"> ▪ Proactive Tax Services Sdn Bhd ▪ Strategic Tax Services Sdn Bhd <i>Past directorship:-</i> <ul style="list-style-type: none"> ▪ CK Tax Services Sdn Bhd
Poh Seng Hiap	<i>Past directorship:-</i> <ul style="list-style-type: none"> ▪ PT Wigo Distribusi Farmasi

5. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)

Notes:-

- (a) *The company has remained dormant since its incorporation in 2006 and was deregistered on 26 November 2008.*
- (b) *The company has remained dormant since its incorporation. Meng Xiangzhen has resigned as the legal representative of the company in August 2008.*

5.4.4 Directors' Remuneration and Benefits

The aggregate remuneration and benefits paid/ accrued to our Directors for services rendered in all their capacities within our Group for the FYE 2009 and proposed for the current FYE 2010 are set out below in bands of RM50,000.

Director	← Remuneration Band →	
	FYE 2009 (RM)	FYE 2010 (RM)
Shen Hengbao	Up to 50,000	50,001 - 100,000
Meng Xiangzhen	Up to 50,000	Up to 50,000
Lee Yu Lian	-	Up to 50,000
Tan Gim Hwee	-	Up to 50,000
Sun Shimin	-	Up to 50,000
Ching Leng Team	-	Up to 50,000
Poh Seng Hiap	-	Up to 50,000

There is no contingent or deferred compensation accrued for the year and no contingent or deferred compensation payable at a later date. Save for the service agreements entered between the Company and Shen Hengbao and Meng Xiangzhen as detailed in Section 5.10 of this Prospectus and the remuneration and benefits paid to our Directors for services rendered in all their capacities within our Group amounting to a total of less than RMB250,000, there are no other amounts/ benefits paid or intended to be paid or given to any of our Promoters, Directors or substantial shareholders, within the two (2) years preceding the date of this Prospectus.

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5. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)

5.5 CORPORATE GOVERNANCE

5.5.1 Board Practices

As at the date of this Prospectus, the current term of office for each of our Director is as follows:-

Name of Director	No. of Years in Office	Expiration of Current Term of Office
Shen Hengbao	> 1 year	Shall retire at our 2011 annual general meeting
Meng Xiangzhen	> 1 year	Shall retire at our 2012 annual general meeting
Lee Yu Lian	> 1 year	Shall retire at our 2011 annual general meeting
Tan Gim Hwee	> 1 year	Shall retire at our 2012 annual general meeting
Sun Shimin	> 1 year	Shall retire at our 2012 annual general meeting
Ching Leng Team	< 1 year	Shall retire at our 2011 annual general meeting
Poh Seng Hiap	< 1 year	Shall retire at our 2011 annual general meeting

In accordance with our Articles of Association, at the first annual general meeting of our Company, all the Directors shall retire from office and at each annual general meeting in every subsequent year, one-third (1/3) of our Directors for the time being, or, if their number is not a multiple of three (3), the number nearest to one-third (1/3) with a minimum of one (1), shall retire from office by rotation. Our Director retiring at a meeting shall retain office until the close of the meeting, whether adjourned or not provided always that an election of Directors shall take place each year and all our Directors, shall retire from office once at least in each three (3) years, but shall be eligible for re-election.

5.5.2 Audit Committee

Our Audit Committee comprises the following members:-

Name	Designation	Directorship
Tan Gim Hwee	Chairman	Independent Non-Executive Director
Ching Leng Team	Member	Independent Non-Executive Director
Poh Seng Hiap	Member	Independent Non-Executive Director

Our Audit Committee is principally responsible for the review of audit plan and audit report of the auditors, review of the internal control procedures, review of the auditors' evaluation of internal accounting controls, review of the financial statements and nomination of the auditors.

5. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)

5.5.3 Remuneration Committee

Our Remuneration Committee comprises the following members:-

Name	Designation	Directorship
Poh Seng Hiap	Chairman	Independent Non-Executive Director
Shen Hengbao	Member	Chief Executive Officer
Ching Leng Team	Member	Independent Non-Executive Director

Our Remuneration Committee is principally responsible for reviewing and recommending to our Board the remuneration package and the terms of employment of our Executive Directors and also recommending the remuneration levels of our non-Executive Directors with reference to market practices.

5.5.4 Nomination Committee

Our Nomination Committee comprises the following members:-

Name	Designation	Directorship
Sun Shimin	Chairman	Independent Non-Executive Director
Tan Gim Hwee	Member	Independent Non-Executive Director
Poh Seng Hiap	Member	Independent Non-Executive Director

Our Nomination Committee is principally responsible for recommending to our Board appointment of new Directors of our Company and Board committees. Our Board as a whole makes all decision on appointments after considering the recommendations of the Nomination Committee.

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5. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)

5.6 KEY MANAGEMENT

5.6.1 Particulars and Shareholdings of Key Management

The details of our key management and their shareholdings in our Company before and after the IPO are as set out below:-

Name	Designation	Before the IPO ^(a)				After the IPO ^(b)			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Zhao Changmin	QC and Product Development Director								
Yao Zhifang	Sales and Marketing Director								
Wang Jundi	Human Resource and Administration Director								
Liu Fuliang	Production Director								
Pang Wei Pin	Chief Financial Officer								

Notes:-

- (a) Based on our issued and paid-up share capital of 412,620,000 Shares after the Subdivision and Conversion.
 (b) Based on our enlarged issued and paid-up share capital of 468,000,000 Shares after the IPO.

5.6.2 Profiles of Key Management

(i) Zhao Changmin (赵昌民)

Professor Zhao Changmin, a PRC national, aged 50, is the QC and Product Development Director of our Group. He graduated from Shanghai Fudan University in 1982 with a Biology degree specialising in Heredity Science. He obtained a Doctorate degree in Philosophy, specialising in plant genetics and breeding in 2000 from Kagawa University, Japan.

He has more than twenty five (25) years of R&D and QC experience in the fields of plant genetics and breeding, and food science. He started his career as a Research Assistant in 1982 with Jiangsu Nanjing Plant Research Academy (江苏省南京植物研究所) where he subsequently rose to the position of Deputy Head of Research in 1995. In 1995, he left the PRC for Japan to advance his R&D work at Kagawa University, Japan. Upon graduation at Kagawa University in 2000, he joined the frozen food specialist, Katokichi Co. (日本加卜吉会社) in Japan. During his time at Katokichi Co. from 2000 to 2005, he held various key positions including Special Assistant to the Chief Executive Officer of Qingdao Katokichi Co., Ltd. and Head of QC Department of Katokichi Co.'s China Factory. He left Katokichi Co. to join Rizhao Hengbao in 2005.

5. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)

(ii) Yao Zhifang (姚志芳)

Yao Zhifang, a PRC national, aged 41, is the Sales and Marketing Director of our Group. She graduated with a degree in International Trade from Shandong Economic University, School of Economics in 1990.

She possesses more than nineteen (19) years of experience in the PRC F&B industry and export business. She started her career in 1990 with Ju County Shanfu Foodstuffs Co., Ltd. (莒县山孚食品有限公司) as a Business Development Manager. She was promoted to the position of Deputy General Manager of the company in 2000. In 2005, she joined Rizhao Hengbao as Deputy General Manager in-charge of sales and marketing.

As our Sales and Marketing Director, she is in-charge of formulating and ensuring the implementation of our Group's marketing strategies and activities.

She is a shareholder of Hengbao Foodstuffs.

(iii) Wang Jundi (王均棣)

Wang Jundi, a PRC national, aged 60, is the Human Resource and Administration Director of our Group. He obtained a certificate in Enterprise Administration from Shandong Yantai University in 1996.

Prior to joining Rizhao Hengbao in 2005, he worked in the administration departments of various PRC state-owned enterprises and government agencies including Ju County Chengyang Machinery Factory, Ju County Central School and Ju County Chengyang Town Government.

In 2003, he stepped down from the public service after gaining more than thirty (30) years of administration experiences. In 2005, he joined Rizhao Hengbao as Deputy General Manager in-charge of administration and human resources.

As our Human Resource and Administration Director, he is in-charge of formulating and administering our Group's human resource policies as well as overseeing the day-to-day operations of our Administration Department.

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5. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)

(iv) Liu Fuliang (刘福亮)

Liu Fuliang, a PRC national, aged 38, is the Production Director of our Group. He obtained a certificate in freezing and refrigeration project management from Heilongjiang Business School in 1996.

He possesses more than thirteen (13) years of experience in the PRC F&B industry and export business. He started his career as a Technology and Equipment Manager at Ju County Shanfu Foodstuffs Co., Ltd. (莒县山孚食品有限公司) in 1996 until 2005 when he joined Rizhao Hengbao.

As our Production Director, he is in-charge of organising and planning the production activities of our manufacturing plants.

(v) Pang Wei Pin

Pang Wei Pin, a Malaysian, aged 33, is the Chief Financial Officer of our Group. He graduated from the University of Adelaide in 1998 with a Bachelor of Commerce degree. He is a member of Certified Practising Accountant ("CPA"), Australia and Malaysian Institute of Accountants.

He possesses more than ten (10) years of experience in the field of accounting and finance. Upon his graduation, from 1999 to 2003, he joined two (2) audit firms which include Ernst & Young (Malaysia). Subsequently, from 2003 to 2007, he worked in two (2) companies which were involved in glove manufacturing and direct selling where he held the positions of Accountant and Accounts Executive respectively.

In 2007, he left and took up the position as a Finance Manager with Bristol Technologies Sdn Bhd, an office furniture manufacturer. In 2008, he joined our Group in his current position as a Chief Financial Officer.

5.7 INVOLVEMENT IN OTHER BUSINESSES

Our Executive Directors and key management are presently serving as full time personnel of our Group.

Save as disclosed in Section 5.4.3 of this Prospectus, none of our Executive Directors and key management are involved in the operations of other businesses or corporations.

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5. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)

5.8 DECLARATION

Save as disclosed below, none of our Promoters, Directors or key management is or has been involved in any of the following events (whether in or outside Malaysia):-

- (i) a petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which he/she was a partner or any corporation of which he/she was a director or key personnel;
- (ii) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (iii) charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (iv) judgement was entered against such person involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or
- (v) was the subject of an order, judgement or ruling of any court, government, or regulatory authority or body temporarily enjoining him/her from engaging in any type of business practice or activity.

On 12 April 2007, Tan Gim Hwee, our Independent and Non-Executive Director, was tested for driving under the influence of alcohol and was summoned to appear in court on 26 April 2007. Subsequent to his court appearance on 31 October 2007, he was charged with an offence under Section 67(1)(b) of the Road Traffic Act (Chapter 276) of Singapore and was given a fine of SGD2,000 and disqualified from driving for 12 months.

5.9 FAMILY RELATIONSHIPS

Save as disclosed below, there are no family relationships (as defined in Section 122A of the Malaysian Companies Act) or associations between our Company's Promoters, substantial shareholders and Directors, or our Group's key management.

Name	Relationship/ Association
Shen Hengbao/ Wang Jundi	Shen Hengbao, our Promoter, substantial shareholder and Chief Executive Officer is the brother-in-law of Wang Jundi, our key management

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5. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)

5.10 SERVICE AGREEMENTS

Save as disclosed below, there are no existing or proposed service agreements (contracts for service) entered into by our Group or any company within our Group, with our Company's Directors or our Group's key management.

Our Company had on 12 November 2010 entered into Service Agreements with our Chief Executive Officer, Shen Hengbao, and our Executive Director, Meng Xiangzhen, (herein each referred to as the "Appointee" or collectively, the "Appointees") for an initial period of (3) three years commencing from the date on which Sozo is admitted to the Main Market of Bursa Securities (herein each referred to as "Service Agreement" or collectively, "Service Agreements"). Upon expiry of the initial term, the Service Agreements shall automatically continue for an indefinite period until terminated either by our Company or the Appointees. The Service Agreements may be terminated by:-

- (i) our Company by giving six (6) months' notice in writing to the Appointees or six (6) months' salary in lieu of notice, without any compensation or damages being payable by our Company to the Appointees, or;
- (ii) the Appointees by giving six (6) months' notice in writing of his or her resignation. The Service Agreements may also be immediately terminated by our Company without any notice or payment in lieu of notice upon the occurrence of certain events, such as serious misconduct or unlawful neglect in the discharge of duties under the Service Agreements on the parts of the Appointees.

The monthly salary of Shen Hengbao under the terms of his Service Agreement is RMB50,000, and the monthly salary of Meng Xiangzhen under the terms of her Service Agreement is RMB21,000. In addition to his monthly salary, Shen Hengbao shall, for each financial year of our Company and commencing from FYE 2011, be entitled to receive an amount of performance bonus (the "Performance Bonus") based on the proportion of our Group's audited consolidated PBT for each financial year before payment of the Performance Bonus and excluding any gains earned from extraordinary and exceptional items (the "Consolidated PBT" or "CPBT").

The Performance Bonus shall be calculated based on the following formula:-

Amount of Performance (RMB) = {CPBT* minus RMB100,000,000} multiply by 0.1%

Note:-

- * *In the event that the CPBT is less than RMB100,000,000, Shen Hengbao shall not be entitled to any Performance Bonus for that financial year in concern.*

The Performance Bonus shall be paid to Shen Hengbao within thirty (30) days after the audited consolidated accounts of Sozo for the relevant financial year have been laid before our Company in general meeting. In the event that Shen Hengbao shall be employed for part only of any financial year, he shall be entitled to a rateable proportion (apportioned on a time basis) of the Performance Bonus he would have received if he had been employed for the whole of that financial year.

5. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)

The monthly salary and the formula for computing the Performance Bonus shall be subjected to the annual review of our Remuneration Committee, and in the event that the Appointee is a member of our Remuneration Committee, the Appointee shall abstain from voting on any decisions made by our Remuneration Committee in connection with the amendment of any terms or conditions of, or the renewal of, his or her Service Agreement.

Each of the Appointees shall during his or her term of employment with our Company under their respective Service Agreements, be entitled to other benefits, including medical benefits, car allowances and club memberships. In addition, all travelling-related expenses, entertainment expenses and other out-of-pocket expenses properly incurred by the Appointees during the course of their employment will be borne by our Company.

Under the terms of the Service Agreements, the Appointees have covenanted that they shall not, at any time from the date of the Service Agreements, in relation to any trade, business or company, use a name in such a way as to be capable of being or likely to be confused with the name of our Company and shall use all reasonable endeavour to procure that no such name shall be used by any person, firm or company with which he is connected. The Appointees have also covenanted that they will not, during the twelve months after cessation of their employment with our Company, compete with our Group.

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6. APPROVALS, MORATORIUM AND PROFIT GUARANTEE

6.1 APPROVALS

6.1.1 Approvals in Malaysia

(i) SC's Approvals

- (a) The SC has, via its letters dated 19 January 2010 and 9 July 2010 approved our IPO under Section 212(5) of the CMSA and the extension of time of six (6) months up to 19 January 2011 to implement the Listing, subject to compliance with the following conditions:-

Conditions Imposed by the SC via SC's Letter Dated 19 January 2010	Status of Compliance
(1) The Promoters (Shen Hengbao and Hengbao Foodstuffs), transferees, as referred to in Section 4.2(iii) of this Prospectus, Tranche 2 and 3 convertible loan holders as well as Roscrea Investments Limited, Elpis Wealth Management Pte. Ltd., Eminence Capital Pte. Ltd., Janet Fong Wuan Yee and Agro Treasures will not be allowed to sell, transfer or assign their entire shareholdings in Sozo (upon completion of the proposed offer for sale) for 6 months from the date of listing of Sozo Shares on the Main Market of Bursa Securities;	Complied via letters of undertaking dated 16 November 2010 furnished to the SC on the same date by the respective shareholders whose Shares are subjected to the moratorium as detailed in Section 6.2 of this Prospectus.
(2) AmInvestment Bank to make available the independent auditors' report from Messrs. Paul Wan & Co in the listing prospectus;	Complied. Please refer to Appendix VI of this Prospectus.
(3) Sozo must ensure the appointment of at least 2 Malaysian independent directors post completion of the proposal;	Complied. Please refer to Section 5.4 of this Prospectus.
(4) Sozo should ensure that, post-listing, Sozo's independent auditor is an internationally affiliated accounting firm;	Complied and will continue to comply. Sozo's current independent auditor, Paul Wan & Co., is an internationally affiliated accounting firm.
(5) AmInvestment Bank/ Sozo should fully comply with the requirements of the SC's Equity and Prospectus Guidelines pertaining to the implementation of the proposal flotation; and	To be complied.
(6) AmInvestment Bank/ Sozo to inform the SC upon the completion of the proposal.	To be complied.

The SC has also via its letter dated 19 January 2010 taken note of the notification that has been presented by Sozo in relation to the Listing proposal as required under the equity requirements for public companies.

6. APPROVALS, MORATORIUM AND PROFIT GUARANTEE (CONT'D)

- (b) The SC has, via its letter dated 25 June 2010 approved the exemption sought on the condition imposed by the SC as set out in paragraph 6.1.1(i)(a)(1) of this Prospectus. The details of the approved exemption sought are as follows:-

Waiver Sought	Details of the Waiver Granted
Waiver from the requirement for one of the shareholders of Agro Treasures, namely Khazanah to provide an undertaking in relation to the compliance with the moratorium condition. The said waiver also includes the shareholders of Khazanah, namely the Minister of Finance, Inc. and the Federal Land Commissioner.	Approved without conditions.

- (c) The SC has, via its letter dated 4 November 2010 approved the revision to the Listing Scheme of Sozo involving the Public Issue as follows:-

	As Approved Earlier		Proposed Revision	
	No. of Shares	% of Enlarged Paid-up Capital	No. of Shares	% of Enlarged Paid-up Capital
Malaysian Public (via balloting)	26,450,000	5.00	24,495,000	5.23
Selected investors (via placements)	89,930,000	17.00	30,885,000	6.60
	116,380,000	22.00	55,380,000	11.83
Enlarged issued and paid-up share capital to be listed and quoted on the Main Market of Bursa Securities	529,000,000	100.00	468,000,000	100.00

(ii) Bursa Securities's Approvals

Bursa Securities has, via its letter dated 22 September 2010 resolved to approve the admission of Sozo to the Official List and the listing of and quotation for the entire issued and paid-up share capital of Sozo comprising of 529,000,000 Shares on "Consumer Products" sector of the Main Market of Bursa Securities.

The conditions imposed by Bursa Securities and the status of the compliance with the conditions are as follows:-

Conditions Imposed by the Bursa Securities via Its Letter Dated 22 September 2010	Status of Compliance
Make the relevant announcements pursuant to paragraphs 8.1 and 8.2 of PN 21 of the Listing Requirements.	To be complied.
Furnish Bursa Securities a copy of the schedule of distribution showing compliance to the share spread requirements based on the entire issued and paid up share capital of Sozo on the first day of listing.	To be complied.

6. APPROVALS, MORATORIUM AND PROFIT GUARANTEE (CONT'D)

6.1.2 Approvals in Singapore

Messrs Kelvin Chia Partnership, our Singapore legal adviser has confirmed that no approvals, filings or registrations are required to be obtained/ made under the laws and regulations of Singapore for the listing of and quotation for our Company on the Main Market on Bursa Securities, the public offering of Shares in our Company in Malaysia and the issuance and circulation of the Prospectus in Malaysia in connection with the Listing.

The Securities Industry Council of Singapore (“SIC”) has, via its letter dated 5 January 2010, granted our Company waiver of the application of the Singapore Code on Take-overs and Mergers in respect of our Company, subject to the following conditions:-

Conditions Imposed by the SIC	Status of Compliance
(a) The Company states clearly in its prospectus at the time of the initial public offering in connection with the Listing that it is subject to the Malaysian Code on Take-overs and Mergers and not the Singapore Code on Take-overs and Mergers;	Complied. Please refer to the paragraph titled “Application of the Malaysian Code on Take-Over and Mergers” in the inside cover of this Prospectus.
(b) The Company remains listed in Malaysia; and	Noted.
(c) The Company consults the SIC on the application of the Singapore Code on Take-overs and Mergers if it should seek a listing in Singapore.	Noted.

6.1.3 Approvals in PRC

Messrs Jincheng Tongda & Neal Law Firm, our PRC legal adviser has confirmed that no approvals, filings or registrations are required to be obtained/ made under the laws and regulations of the PRC for the listing of and quotation for our Company on the Main Market on Bursa Securities, the public offering of Shares in our Company in Malaysia and the issuance and circulation of the Prospectus in Malaysia in connection with the Listing.

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6. APPROVALS, MORATORIUM AND PROFIT GUARANTEE (CONT'D)

6.2 MORATORIUM ON OUR SHARES

In accordance with the SC Guidelines and the condition imposed by the SC as set out in paragraph 6.1.1(i)(a)(1) of this Prospectus, our Promoters will not be allowed to sell, transfer or assign their entire shareholdings in our Company for six (6) months from the date of our admission to the Official List of the Main Market of Bursa Securities ("SC Moratorium Period").

Our Promoters and shareholders whose Shares are subjected to the SC Moratorium Period are as set out below:-

Name of Shareholders	No. of Shares Held After IPO ^(a)			
	Direct	%	Indirect	%
Promoters				
Hengbao Foodstuffs	267,202,000	57.09	-	-
Shen Hengbao	-	-	^(b) 267,202,000	57.09
Shareholders				
Agro Treasures	48,805,540	10.43	-	-
Roscrea Investments Limited	16,350,099	3.49	-	-
Lim Kwee Gee	8,166,264	1.74	-	-
Elpis Wealth Management Pte. Ltd.	6,233,502	1.33	-	-
Cherrybrook Group Limited	5,819,000	1.24	-	-
Sign Century Limited	5,290,000	1.13	-	-
Lim Chee Pin	4,362,796	0.93	-	-
Loh Peng Chai	3,967,500	0.85	-	-
Arthur J Stewart Group Limited	3,967,500	0.85	-	-
Strategic Advisory Services Pte. Ltd.	3,221,269	0.69	-	-
Eminence Capital Pte. Ltd.	2,635,458	0.56	-	-
Strategic Capital Partners Pte. Ltd.	1,728,436	0.37	-	-
Clifford Capital Holdings Limited	1,058,000	0.23	-	-
Janet Fong Wuan Yee	1,038,917	0.23	-	-
Ong Soo Boon	805,317	0.17	-	-
Mah Siew Hoe	658,826	0.14	-	-
Resource Hardware & Trading Pte. Ltd.	644,253	0.14	-	-
Suraj Singh Gill	644,253	0.14	-	-
Oleksandr Danylenko	593,760	0.13	-	-
Tan Roy Soon	527,062	0.11	-	-
Ayako Kira	402,658	0.09	-	-
Lee Yok Khon @ Lee Kua	395,296	0.08	-	-
Yap Yoon Keong	322,127	0.07	-	-
Pok Yoke Kung	322,127	0.07	-	-
Heng Hock Keng	322,127	0.07	-	-
Lee Ying Kiat	322,127	0.07	-	-
Lee Kim Tow	257,701	0.06	-	-
Yap Soo Ching	252,990	0.05	-	-
Tan Poh Thong	161,063	0.03	-	-
Yong Sooi Seong	142,307	0.03	-	-
Ng Yew	131,765	0.03	-	-
Total	386,752,040	82.64	267,202,000	57.09

Notes:-

- (a) Based on our enlarged issued and paid-up share capital of 468,000,000 Shares after the IPO.
- (b) Deemed interested by virtue of his interest in Hengbao Foodstuffs pursuant to Section 6A of the Malaysian Companies Act.

6. APPROVALS, MORATORIUM AND PROFIT GUARANTEE (CONT'D)

Hengbao Foodstuffs, Agro Treasures, Roscrea Investments Limited, Lim Kwee Gee, Elpis Wealth Management Pte. Ltd., Cherrybrook Group Limited, Sign Century Limited, Lim Chee Pin, Loh Peng Chai, Arthur J Stewart Group Limited, Strategic Advisory Services Pte. Ltd., Eminence Capital Pte. Ltd., Strategic Capital Partners Pte. Ltd., Clifford Capital Holdings Limited, Janet Fong Wuan Yee, Ong Soo Boon, Mah Siew Hoe, Resource Hardware & Trading Pte. Ltd., Suraj Singh Gill, Oleksandr Danylenko, Tan Roy Soon, Ayako Kira, Lee Yok Khon @ Lee Kua, Yap Yoon Keong, Pok Yoke Kung, Heng Hock Keng, Lee Ying Kiat, Lee Kim Tow, Yap Soo Ching, Tan Poh Thong, Yong Sooi Seong and Ng Yew have provided written undertaking that they will not sell, transfer or assign their shareholdings under moratorium during the SC Moratorium Period.

In addition, our Promoters and the following shareholders have voluntarily extended the moratorium period of the entire or certain portion of their Shares under the SC Moratorium Period as set out below for an additional six (6) months period upon the expiry of the SC Moratorium Period ("**Additional Moratorium Period**"):-

Name of Shareholders	No. of Shares Held After IPO ^(a)			
	Direct	%	Indirect	%
Promoters				
Hengbao Foodstuffs	267,202,000	57.09	-	-
Shen Hengbao	-	-	^(b) 267,202,000	57.09
Shareholders				
Agro Treasures	48,805,540	10.43	-	-
Roscrea Investments Limited	16,350,099	3.49	-	-
Lim Kwee Gee	6,612,500	1.41	-	-
Elpis Wealth Management Pte. Ltd.	6,233,502	1.33	-	-
Cherrybrook Group Limited	5,819,000	1.24	-	-
Sign Century Limited	5,290,000	1.13	-	-
Lim Chee Pin	3,967,500	0.85	-	-
Loh Peng Chai	3,967,500	0.85	-	-
Arthur J Stewart Group Limited	3,967,500	0.85	-	-
Strategic Advisory Services Pte. Ltd.	3,221,269	0.69	-	-
Eminence Capital Pte. Ltd.	2,116,000	0.45	-	-
Strategic Capital Partners Pte. Ltd.	1,728,436	0.37	-	-
Clifford Capital Holdings Limited	1,058,000	0.23	-	-
Total	376,338,846	80.41	267,202,000	57.09

Notes:-

- (a) Based on our enlarged issued and paid-up share capital of 468,000,000 Shares after the IPO.
- (b) Deemed interested by virtue of his interest in Hengbao Foodstuffs pursuant to Section 6A of the Malaysian Companies Act.

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6. APPROVALS, MORATORIUM AND PROFIT GUARANTEE (CONT'D)

Pursuant to the Additional Moratorium Period, Hengbao Foodstuffs, Agro Treasures, Roscrea Investments Limited, Lim Kwee Gee, Elpis Wealth Management Pte. Ltd., Cherrybrook Group Limited, Sign Century Limited, Lim Chee Pin, Loh Peng Chai, Arthur J Stewart Group Limited, Strategic Advisory Services Pte. Ltd., Eminence Capital Pte. Ltd., Strategic Capital Partners Pte. Ltd. and Clifford Capital Holdings Limited have also provided written undertaking that they will not sell, transfer or assign the entire or certain portion of their shareholdings under moratorium during the Additional Moratorium Period. As such, Hengbao Foodstuffs, Agro Treasures, Roscrea Investments Limited, Lim Kwee Gee, Elpis Wealth Management Pte. Ltd., Cherrybrook Group Limited, Sign Century Limited, Lim Chee Pin, Loh Peng Chai, Arthur J Stewart Group Limited, Strategic Advisory Services Pte. Ltd., Eminence Capital Pte. Ltd., Strategic Capital Partners Pte. Ltd. and Clifford Capital Holdings Limited have collectively undertaken that they will not sell, transfer or assign the entire or certain portion of their shareholdings under moratorium for a total period of twelve (12) months from the date of our admission to the Official List of the Main Market of Bursa Securities.

The moratorium shall also apply to the shareholders of:-

- (i) Hengbao Foodstuffs, namely Shen Hengbao, Meng Xiangzhen, Wu Fang, Yao Zhifang and Shi Geli, who have provided written undertakings that they shall not sell, transfer or assign their respective shareholdings in Hengbao Foodstuffs during the SC Moratorium Period and Additional Moratorium Period;
- (ii) Agro Treasures, namely Vida who has provided written undertaking that it shall not sell, transfer or assign its shareholding in Agro Treasures during the SC Moratorium Period and Additional Moratorium Period;
- (iii) Vida, namely Lee Yu Lian and Raja Shamsul Kamal Bin R Shahrzaman who have provided written undertakings that they shall not sell, transfer or assign their shareholdings in Vida during the SC Moratorium Period and Additional Moratorium Period;
- (iv) Roscrea Investments Limited, namely Loh Peng Chai, Lim Kwee Gee, Hendri Suwardi, Yong Kok Fong, Ong Soo Boon and Lee Teck Leng who have provided written undertakings that they shall not sell, transfer or assign their shareholdings in Roscrea Investments Limited during the SC Moratorium Period and Additional Moratorium Period;
- (v) Elpis Wealth Management Pte. Ltd., namely Mah Quee Yong and Wee Gi Mui who have provided written undertakings that they shall not sell, transfer or assign their shareholdings in Elpis Wealth Management Pte. Ltd. during the SC Moratorium Period and Additional Moratorium Period;
- (vi) Cherrybrook Group Limited, namely Tan Yiow Chong who has provided written undertaking that he shall not sell, transfer or assign his shareholding in Cherrybrook Group Limited during the SC Moratorium Period and Additional Moratorium Period;
- (vii) Sign Century Limited, namely Sun Jin Peng who has provided written undertaking that he shall not sell, transfer or assign his shareholding in Sign Century Limited during the SC Moratorium Period and Additional Moratorium Period;
- (viii) Arthur J Stewart Group Limited, namely Yong Kok Fong who has provided written undertaking that he shall not sell, transfer or assign his shareholding in Arthur J Stewart Group Limited during the SC Moratorium Period and Additional Moratorium Period;

6. APPROVALS, MORATORIUM AND PROFIT GUARANTEE (CONT'D)

- (ix) Strategic Advisory Services Pte. Ltd., namely Ong Mei Can and Khor Kee Lin who have provided written undertakings that they shall not sell, transfer or assign their shareholdings in Strategic Advisory Services Pte. Ltd. during the SC Moratorium Period and Additional Moratorium Period;
- (x) Eminence Capital Pte. Ltd., namely Janet Fong Wuan Yee who has provided written undertaking that she shall not sell, transfer or assign her shareholding in Eminence Capital Pte. Ltd. during the SC Moratorium Period and Additional Moratorium Period;
- (xi) Strategic Capital Partners Pte. Ltd., namely Ong Mei Can who has provided written undertaking that she shall not sell, transfer or assign her shareholding in Strategic Capital Partners Pte. Ltd. during the SC Moratorium Period and Additional Moratorium Period;
- (xii) Clifford Capital Holdings Limited, namely Mah Quee Yong who has provided written undertaking that he shall not sell, transfer or assign his shareholding in Clifford Capital Holdings Limited during the SC Moratorium Period and Additional Moratorium Period; and
- (xiii) Resource Hardware & Trading Pte. Ltd., namely PSL Holdings Limited who has provided written undertaking that it shall not sell, transfer or assign its shareholding in Resource Hardware & Trading Pte. Ltd. during the SC Moratorium Period.

The moratorium is specifically endorsed on the share certificates representing the shareholdings of our Promoters and shareholders to ensure that our registrars do not register any transfer not in compliance with the moratorium restrictions.

6.3 PROFIT GUARANTEE AGREEMENT

On 27 August 2009, Shen Hengbao, Meng Xiangzhen, Wu Fang, Shi Geli, Yao Zhifang (collectively referred to herein as the "**Founders**"), Hengbao Foodstuffs and Agro Treasures entered into an agreement ("**Profit Undertaking Agreement**") whereby the Founders and Hengbao Foodstuffs irrevocably and unconditionally jointly and severally undertook to Agro Treasures that the actual cumulative PAT (as defined below) of Rizhao Hengbao for the period commencing on 1 January 2009 and ending on 31 December 2009 (both dates inclusive) ("**FYE 2009**") will not be less than the Profit Undertaking (as defined below).

"**PAT**" is defined in the Profit Undertaking Agreement as the audited consolidated profit after tax, without taking into account any extraordinary items and any profits of a capital nature arising from the disposal of fixed assets, investments, plant or any other assets, and after minority interests, as certified by the auditors of Rizhao Hengbao or, at the option of Agro Treasures, by any reputable accounting firm selected by Agro Treasures and "**Profit Undertaking**" is defined in the Profit Undertaking Agreement as the sum of RMB140,000,000 being the amount undertaken by the Founders and Hengbao Foodstuffs to be the cumulative PAT of Rizhao Hengbao for the FYE 2009.

Under the Profit Undertaking Agreement, the Founders and Hengbao Foodstuffs agree that in the event that the actual PAT earned by Rizhao Hengbao for the FYE 2009 is less than the Profit Undertaking ("**Shortfall**") and all of the RCCPS have been converted into ordinary shares of the Company on the terms of the RCCPS Agreement before the date of the auditors' report of Rizhao Hengbao accounts for FYE 2009, the Founders and Hengbao Foodstuffs shall jointly and severally, upon receipt of the notice of claim for the Shortfall, compensate Agro Treasures for the Shortfall in cash to Agro Treasures.

6. APPROVALS, MORATORIUM AND PROFIT GUARANTEE (CONT'D)

The Shortfall shall be paid in Singapore dollars and the exchange rate that shall be utilised to calculate the Singapore dollars amount shall be the exchange rate quoted and used by the bank or other financial institution at the time of remittance by the Company of the purchase price to each of the Founders in accordance with the Equity Transfer Agreement dated 27 May 2008 as consideration for the purchase of the registered capital of Rizhao Hengbao owned by the Founders and constituting the remaining registered capital of Rizhao Hengbao not already owned by the Company.

Under the Profit Undertaking Agreement, the Founders and Hengbao Foodstuffs acknowledge and agree that:-

- (a) Agro Treasures has valued the Company and has agreed to pay the subscription price for the RCCPS under the RCCPS Agreement based on the undertaking by the Founders and Hengbao Foodstuffs that Rizhao Hengbao will achieve the Profit Undertaking for the FYE 2009. Based on the representations made by the Founders and Hengbao Foodstuffs, including representations in respect of the Profit Undertaking, Agro Treasures has valued the Company and Rizhao Hengbao at the assigned price earnings ratio of three (3) times based on the Profit Undertaking;
- (b) any Shortfall will have an adverse effect and impact on the value of the RCCPS subscribed by Agro Treasures pursuant to the RCCPS Agreement; and
- (c) such Shortfall forms the basis for the Founders' and Hengbao Foodstuffs's obligations under the Profit Undertaking Agreement as to the compensation to Agro Treasures.

Under the Profit Undertaking Agreement, the Founders and Hengbao Foodstuffs shall procure and ensure that Rizhao Hengbao shall: (a) prepare and deliver to Agro Treasures its audited accounts for FYE 2009 within 90 days from the end of 31 December 2009; and (b) instruct the auditors or such reputable accounting firm selected by Agro Treasures (at its absolute discretion) to determine and certify to Agro Treasures the actual PAT of Rizhao Hengbao for FYE 2009 within 90 days from the end of 31 December 2009*, failing which Agro Treasures shall be entitled to appoint any accounting firm to prepare the audited accounts of Rizhao Hengbao for FYE 2009 and/or to determine and certify the actual PAT of Rizhao Hengbao for FYE 2009, at the cost and expense of the Founders and Hengbao Foodstuffs. The preparation of such audited accounts and the determination of such PAT of Rizhao Hengbao by such accounting firm appointed by Agro Treasures shall be final and binding on the Founders and Hengbao Foodstuffs.

The obligations of the Founders and Hengbao Foodstuffs under the Profit Undertaking Agreement are in addition to and not in substitution for the due observance and performance of the obligations of the Founders and Hengbao Foodstuffs and may be enforced by Agro Treasures in its absolute discretion without first having recourse to any such other security.

The Profit Undertaking Agreement shall become effective and binding on the parties on the date Agro Treasures complete the purchase of any of the RCCPS. In the event the RCCPS Agreement is terminated for any reason whatsoever prior to completion of the subscription of the RCCPS by Agro Treasures, the Profit Undertaking Agreement shall terminate and be null and void and of no further effect whatsoever and none of the parties shall have any claims against the others.

Note:-

* *Typographical error in the Profit Undertaking Agreement whereby the year should be 2009.*

Based on the audited accounts of Rizhao Hengbao for FYE 2009, Rizhao Hengbao has recorded a PAT of approximately RMB156.99 million, which has exceeded the profit undertaking sum of RMB140.0 million. As such, the Profit Undertaking as set out in the Profit Undertaking Agreement has been met.

7. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST

7.1 RELATED PARTY TRANSACTIONS

7.1.1 Non-Recurrent Related Party Transactions

Save for the loan agreement as disclosed below, for the past four (4) FYE 2006 to FYE 2009 and FPE 2010, our Group does not have any existing and/or proposed related party transactions (as defined in the Listing Requirements):-

Transacting Parties	Nature of Relationship	Nature of Transaction	Transaction Value				
			FYE 2006	FYE 2007	FYE 2008	FYE 2009	FPE 2010
			RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Shen Hengbao, Meng Xiangzhen, Wu Fang, Yao Zhifang, Shi Geli and Rizhao Hengbao	Shen Hengbao is our Promoter, substantial shareholder and Chief Executive Officer Meng Xiangzhen is our Executive Director and a substantial shareholder of *Hengbao Foodstuffs. Yao Zhifang is our key management and a shareholder of *Hengbao Foodstuffs. Wu Fang and Shi Geli are shareholders of *Hengbao Foodstuffs.	Loan granted by Shen Hengbao, Meng Xiangzhen, Wu Fang, Yao Zhifang, Shi Geli to Rizhao Hengbao pursuant to a loan agreement dated 25 September 2009	-	-	-	21,800	-

Note:-

* *Hengbao Foodstuffs is a substantial shareholder of our Company.*

The loan was obtained by Rizhao Hengbao for its working capital purposes. The tenure of the loan is ten (10) years and will be renewed for a further ten (10) years period upon expiry unless the Board, by way of written resolutions, decided that the loan is no longer required. The loan is interest-free and repayable in one lump sum within ten (10) days from its maturity period.

Our Directors are of the opinion that the terms of the business transaction referred above was entered into on an arm's length basis and was transacted based on a negotiated basis which is not detrimental to the interest of our Group.

7.1.2 Recurrent Related Party Transactions

Pursuant to Paragraph 10.09 of the Listing Requirements, a listed issuer may seek a mandate from its shareholders for related party transactions which are recurrent, of a revenue or trading nature and which are necessary for day-to-day operations of a listed issuer or its subsidiaries, subject to, *inter-alia*, the following:-

- (i) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;
- (ii) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under Paragraph 10.09(1) of the Listing Requirements; and

7. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (CONT'D)

- (iii) in a meeting to obtain shareholders' mandate, the interested director, interested major shareholder or interested person connected with a director or major shareholder; and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder, must not vote on the resolution to approve the transactions. An interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions.

Currently, there are no existing and/or proposed recurrent related party transactions entered into between our Group and our related parties which are necessary for our day-to-day operations. Our Group would in the ordinary course of our business enter into transactions, including but not limited to the transactions described in related party transactions set out in Section 7.1 of this Prospectus, with persons which are considered "related party" as defined in Chapter 10 of the Listing Requirements. It is likely that such transactions will occur with some degree of frequency and could arise at any time and from time to time.

Due to the time-sensitive nature of commercial transactions, the shareholders' mandate will enable us, in our normal course of business, to enter into the categories of related party transactions, provided such transactions involving the interested person are made at arm's length and on normal commercial terms.

Transactions that do not fall within the ambit of the shareholders' mandate shall be subject to the relevant provisions of the Listing Requirements.

Upon Listing, our Audit Committee will supervise the terms of related party transactions and our Directors will report related party transactions, if any, annually in our Company's annual report. In the event there are any proposed related party transactions that involve the interest, direct or indirect, of our Directors, the interested Director(s) shall disclose his interest to our Board, of the details of the nature and extent of his interest, including all matters in relation to the proposed related-party transactions that he is aware or should reasonably be aware of, which is not in our best interests. The interested Director(s) shall also abstain from any Board deliberation and voting on the relevant resolution(s) in respect of such proposed related-party transactions.

In the event there are any proposed related party transactions that require the prior approval of shareholders, the Directors, major shareholders and/ or persons connected with a Director or major shareholder, which have any interest, direct or indirect, in the proposed related party transaction will abstain from voting in respect of their direct and/or indirect shareholdings. Where a person connected with a Director or major shareholder has interest, direct or indirect, in any proposed related party transactions, the Director or major shareholder concerned will also abstain from voting in respect of his direct and/or indirect shareholdings. Such interested Directors and/or major shareholders will also undertake that he shall ensure that the persons connected with him will abstain from voting on the resolution approving the proposed related party transaction at the general meeting.

7. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (CONT'D)

7.2 TRANSACTIONS THAT ARE UNUSUAL IN THEIR NATURE OR CONDITIONS

Save as disclosed in Section 7.1 of this Prospectus, our Directors have confirmed that to the best of their knowledge and belief, there are no transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which we or any of our subsidiary was a party in respect the past four (4) FYE 2006 to FYE 2009 and FPE 2010, and the subsequent financial period up to LPD.

7.3 OUTSTANDING LOANS MADE TO/ FOR THE BENEFIT OF RELATED PARTIES

Our Directors have confirmed that there were no outstanding loans (including guarantees of any kind) made by our Company or any of our subsidiary to or for the benefit of any related party in respect of the past four (4) FYE 2006 to FYE 2009 and FPE 2010, and the subsequent financial period up to LPD.

7.4 INTERESTS IN SIMILAR BUSINESS

As at LPD, to the best of the knowledge and belief of our Directors, none of our Directors and substantial shareholders has any interest, direct and/or indirect in other businesses and/or corporations carrying on a similar trade as that of our Group which would give rise to a conflict of interest situation.

7.5 INTERESTS IN OTHER BUSINESSES OR CORPORATIONS WHICH ARE CUSTOMERS OR SUPPLIERS OF OUR GROUP

As at LPD, to the best of the knowledge and belief of our Directors, none of our Directors and substantial shareholders has any interest, direct and/or indirect in other businesses and/or corporations which are the customers or suppliers of our Group.

7.6 DECLARATION BY THE ADVISERS

AmlInvestment Bank hereby confirms that there are no existing or potential conflicts of interest in its capacity as the Adviser, Managing Underwriter, Underwriter and Sole Placement Agent for the IPO.

Messrs Martin Cheah & Associates hereby confirms that there are no existing or potential conflicts of interest in their capacity as the Legal Adviser for the IPO.

Messrs Jincheng Tongda & Neal Law Firm hereby confirms that there are no existing or potential conflicts of interest in their capacity as the Legal Adviser to our Company on the laws of the PRC.

Messrs Kelvin Chia Partnership hereby confirms that there are no existing or potential conflicts of interest in their capacity as the Legal Advisers to our Company on the laws of Singapore.

Messrs UHY hereby confirms that there are no existing or potential conflicts of interest in their capacity as the Reporting Accountants for the IPO.

Messrs Paul Wan & Co hereby confirms that there are no existing or potential conflicts of interest in their capacity as the Auditors to our Group for the IPO.

Protégé Associates hereby confirms that there are no existing or potential conflicts of interest in its capacity as the Independent Market Researcher for the IPO.

Boardroom.com Sdn Bhd hereby confirms that there are no existing or potential conflicts of interest in its capacity as Company Agent in Malaysia to our Group.

8. FINANCIAL INFORMATION

8.1 HISTORICAL FINANCIAL INFORMATION

The following table sets out a summary of our Group's proforma combined statements of comprehensive income for the past four (4) FYE 2006 to FYE 2009 and FPE 2009 and FPE 2010, on the assumption that our Group has been in existence throughout the years/ periods under review. The proforma combined statements of comprehensive income are prepared for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the proforma combined financial information set out in Section 8.7 of this Prospectus.

	Audited											
	FYE 2006		FYE 2007		FYE 2008		FYE 2009		FPE 2009		FPE 2010	
	RMB'000	(a)/RMB'000	RMB'000	(a)/RMB'000	RMB'000	(a)/RMB'000	RMB'000	(a)/RMB'000	RMB'000	(a)/RMB'000	RMB'000	(a)/RMB'000
Revenue	126,335	58,076	218,615	98,770	415,126	200,050	608,775	313,945	284,625	149,485	392,554	189,564
Cost of sales	(98,164)	(45,126)	(143,847)	(64,990)	(282,304)	(136,043)	(394,446)	(203,416)	(184,560)	(96,931)	(263,118)	(127,060)
GP	28,171	12,950	74,768	33,780	132,822	64,007	214,329	110,529	100,065	52,554	129,436	62,504
Other operating income	248	114	2,249	1,016	886	427	1,801	929	1,020	536	1,821	879
Selling and distribution expenses	(727)	(334)	(917)	(414)	(749)	(361)	(1,412)	(728)	(992)	(521)	(725)	(350)
General and administrative expenses	(1,336)	(614)	(3,100)	(1,401)	(5,902)	(2,844)	(7,588)	(3,913)	(3,078)	(1,617)	(3,534)	(1,707)
Other operating expenses	(1,673)	(769)	(7,206)	(3,256)	(2)	(1)	(637)	(329)	(39)	(20)	(2,659)	(1,284)
Operating profits	24,683	11,347	65,794	29,725	127,055	61,228	206,493	106,488	96,976	50,932	124,339	60,042
Finance costs	(32)	(15)	(475)	(215)	(558)	(269)	(260)	(134)	(54)	(28)	(369)	(178)
PBT	24,651	11,332	65,319	29,510	126,497	60,959	206,233	106,354	96,922	50,904	123,970	59,864
Taxation	(9,116)	(4,191)	(23,270)	(10,513)	(31,587)	(15,222)	(52,601)	(27,126)	(24,632)	(12,937)	(31,285)	(15,108)
PAT	15,535	7,141	42,049	18,997	94,910	45,737	153,632	79,228	72,290	37,967	92,685	44,756
Other comprehensive income for the year/ period – Fair value adjustment ^(b)	-	-	-	-	-	-	8,237	4,248	-	-	-	-
Total comprehensive income for the year/ period	15,535	7,141	42,049	18,997	94,910	45,737	161,869	83,476	72,290	37,967	92,685	44,756
PAT attributable to:-												
- Equity holders of Sozo	15,535	7,141	42,049	18,997	94,910	45,737	153,632	79,228	72,290	37,967	92,685	44,756
- Minority interest	-	-	-	-	-	-	-	-	-	-	-	-
Number of Shares in issue ('000) ^(c)	412,620	412,620	412,620	412,620	412,620	412,620	412,620	412,620	412,620	412,620	412,620	412,620
Gross EPS (RMB cents/ sen) ^(b)	5.97	2.75	15.83	7.15	30.66	14.77	49.98	25.78	(d)/46.98	(d)/24.67	(d)/60.09	(d)/29.02
Net EPS (RMB cents/ sen) ^(b)	3.76	1.73	10.19	4.60	23.00	11.08	37.23	19.20	(d)/35.04	(d)/18.40	(d)/44.93	(d)/21.69
- Basic	3.76	1.73	10.19	4.60	23.00	11.08	37.23	19.20	(d)/35.04	(d)/18.40	(d)/44.93	(d)/21.69
- Diluted ^(b)												

8. FINANCIAL INFORMATION

	Audited											
	FYE 2006		FYE 2007		FYE 2008		FYE 2009		FYE 2009		FPE 2010	
	RMB'000	(b) RMB'000	RMB'000	(b) RMB'000	RMB'000	(b) RMB'000	RMB'000	(b) RMB'000	RMB'000	(b) RMB'000	RMB'000	(b) RMB'000
EBITDA	26,661	12,257	68,385	30,895	129,793	62,547	210,309	108,456	98,841	51,912	126,672	61,169
Interest expense	32	15	475	215	558	269	260	134	54	28	369	178
Interest income	95	44	98	44	260	125	381	196	-	-	470	227
Depreciation	1,892	870	2,263	1,022	2,410	1,161	3,489	1,799	1,702	894	2,170	1,048
Amortisation	86	40	328	148	328	158	327	169	163	86	163	79
GP margin (%)	22.30	22.30	34.20	34.20	32.00	32.00	35.21	35.21	35.16	35.16	32.97	32.97
PBT margin (%)	19.51	19.51	29.88	29.88	30.47	30.47	33.88	33.88	34.05	34.05	31.58	31.58
PAT margin (%)	12.30	12.30	19.23	19.23	22.86	22.86	25.24	25.24	25.40	25.40	23.61	23.61

Notes:-

(a) For the purpose of this Prospectus, the statements of financial position and statements of comprehensive income were translated using the closing and average exchange rates for the respective financial years/ periods as summarised below:-

	FYE 2006		FYE 2007		FYE 2008		FYE 2009		FPE 2010	
	RMB1: RMB0.4597	RMB1: RMB0.4511	RMB1: RMB0.4518	RMB1: RMB0.4534	RMB1: RMB0.4819	RMB1: RMB0.5084	RMB1: RMB0.5157	RMB1: RMB0.5252	RMB1: RMB0.4829	RMB1: RMB0.4772
Average rate										
Closing rate										

- (b) Fair value adjustment on interest free loan from shareholders as disclosed in Section 7.1.1 of this Prospectus. Further details of the fair value adjustment is as disclosed in Note 21 of the audited combined financial statements of our Group as attached hereto in Appendix VI of this Prospectus.
- (c) Based on the issued and paid-up share capital of 412,620,000 Shares after the Subdivision and Conversion.
- (d) Annualised to twelve (12) months for comparison purposes.
- (e) Based on the PBT and the number of Shares in issue.
- (f) Based on the PAT attributable to equity holders of Sozo and the number of Shares in issue.
- (g) There were no potential dilutive Shares in issue during the financial years/ periods under review.

Our proforma combined statements of comprehensive income are extracted from our audited combined financial statements for FYE 2006 to FYE 2009, FPE 2009 and FPE 2010, which have been prepared in accordance with International Financial Reporting Standards and after incorporating adjustments that are appropriate for the preparation of the proforma combined financial information.

Further information on the proforma combined statements of comprehensive income is set out in Section 8.7 of this Prospectus.

8. FINANCIAL INFORMATION (CONT'D)

8.2 CAPITALISATION AND INDEBTEDNESS

The following table summarised our cash and cash equivalents, capitalisation and indebtedness:-

- (i) as at 30 June 2010 based on our audited combined statement of financial position; and
- (ii) as adjusted for the net proceeds arising from the issue of the Public Issue Shares and the utilisation of proceeds as set out in Section 2.6 of this Prospectus.

	Audited as at 30 June 2010		After Subdivision, Conversion, Transfer, Public Issue and Utilisation of Proceeds	
	RMB'000	RM'000	RMB'000	RM'000
Cash and cash equivalents	372,631	177,820	395,926	188,936
Indebtedness				
Short-term indebtedness:-				
- Convertible Loans ^(a)	34,524	16,475	-	-
- RCCPS ^(b)	43,007	20,523	-	-
Long-term indebtedness:-				
- Loan from shareholders ^(b)	12,789	6,103	12,789	6,103
Total indebtedness	90,320	43,101	12,789	6,103
Total shareholders' equity/ capitalisation	383,606	183,056	533,023	254,358
Total capitalisation and indebtedness	473,926	226,157	545,812	260,461

Notes:-

- (a) *The Convertible Loans are unsecured and jointly guaranteed by Shen Hengbao and Meng Xiangzhen. All the Convertible Loans have been converted into Sozo's Shares on 8 September 2010.*
- (b) *The RCCPS and loan from shareholders are unsecured and unguaranteed. The RCCPS has been converted into Sozo's Shares on 8 September 2010.*

The indirect and contingent liabilities of our Group are set out in Section 8.4.8 of this Prospectus.

8.3 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS

The following management's discussion and analysis of our Group's financial conditions, results of operations for FYE 2006 to FYE 2009 and FPE 2010 should be read in conjunction with the accompanying notes, assumptions and bases thereto included in the Reporting Accountants' Letter on the Proforma Combined Financial Information and Accountants' Report as set out in Sections 8.7 and 9 respectively of this Prospectus.

8. FINANCIAL INFORMATION (CONT'D)

This discussion and analysis contain data derived from our audited combined financial statements as well as forward-looking statements that involve risks and uncertainties. The actual results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ significantly from those included in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 3 of this Prospectus.

8.3.1 Overview of Operations

We are principally involved in the manufacturing and distribution of gourmet convenient food, in particular, duck RTS Food products.

As at LPD, we have two (2) production plants which are both located at Ju County (莒县), Rizhao City (日照市), Shandong Province (山东省), which is at close proximity to several major PRC ports namely Qingdao port (青岛港), Huangdao port (黄岛港), Rizhao port (日照港) and Lianyungang port (连云港). The key raw materials used in our products comprise poultry, meat, seafood, vegetables and fruits, which we source entirely from suppliers located in Shandong Province.

Shandong Province is one of the largest agricultural provinces and the largest poultry farming base in the PRC and is widely known as the "Southern Kitchen of China". In particular, our production plants are located within close proximity to two (2) of the largest agricultural cities of Shandong Province, namely Linyi City (临沂) and Weifang City (潍坊). Linyi City is well known for its poultry and meat as well as its vegetables and fruits. Shouguang County (寿光) of Weifang City is one of the largest vegetables and fruits growing base in PRC.

The analysis of the financial condition and results of operations of our Group are as detailed below:-

(i) Revenue

	Audited											
	FYE 2006		FYE 2007		FYE 2008		FYE 2009		FPE 2009		FPE 2010	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Revenue	126,335	58,076	218,615	98,770	415,126	200,050	608,775	313,945	284,625	149,485	392,554	189,564

Our revenue increased significantly from approximately RMB126.34 million in FYE 2006 to approximately RMB608.78 million in FYE 2009 representing a compounded annual growth rate of approximately 68.90%. For FPE 2010, we recorded revenue of approximately RMB392.55 million representing an increase of approximately RMB107.92 million or approximately 37.92% over the revenue of FPE 2009 of approximately RMB284.63 million.

The significant increase in our revenue from FYE 2006 to FYE 2009 were mainly attributable to the increase in sales of RTS Food and frozen vegetables as a result of increase in our installed production capacity and sales to newly acquired customers. In the foreseeable future, our management expects RTS Food, in particular, duck RTS Food products to continue to be our main revenue contributor.

8. FINANCIAL INFORMATION (CONT'D)

We measure the utilisation rates of our production capacity for RTS Food and frozen vegetables (including VF Snacks) segments based on the installed production capacity of our quick freeze lines and our actual production output. On the other hand, the production capacity utilisation rates of our canned food segment is measured based on the installed production capacity of our canned food production line and our actual production output.

The installed production capacity and utilisation rates of our quick freeze lines and canned food line for the respective financials years and periods under review are as follows:-

	FYE 2006	FYE 2007	FYE 2008	FYE 2009	FPE 2009	FPE 2010
Quick Freeze Lines						
No of quick freeze lines ^(a)	4	6	9	9	9	9
Installed production capacity ^(b) (tonnes)	14,400	21,600	27,360	38,880	19,440	19,440
Utilisation rate (%)	73.38	91.44	54.04	66.88	59.49	88.68
Canned Food Line						
No. of canned food line	1	1	1	1	1	1
Installed production capacity ^(c) (tonnes)	7,200	7,200	7,200	7,200	3,600	3,600
Utilisation rate (%)	12.89	8.24	32.10	47.66	46.44	-

Notes:-

- (a) From FYE 2006 to August 2008, all of our quick freeze lines are installed at our first production plant. We installed three (3) new quick freeze lines at our second production plant which commenced commercial production in September 2008.
- (b) The installed production capacity of our quick freeze lines are as follows:-
- (aa) First production plant – 3,600 tonnes per annum per quick freeze line; and
- (bb) Second production plant – 5,760 tonnes per annum per quick freeze line.
- Our installed production capacity is computed based on the assumption that each of our quick freeze lines is operated for 360 days a year and 24 hours a day.
- (c) We have one (1) canned food production line which is installed at our first production plant. Currently, our Group produces canned food only upon request by customers as canned food is not the primary focus of our Group.

The lower utilisation rate in FYE 2008 as compared to FYE 2007 was mainly due to decrease in production output of frozen vegetables as a result of the reallocation of our production resources to focus on the production of our new range of duck RTS products. Generally, the production volume of frozen vegetables is higher as compared to RTS Food. Hence, a lower utilisation rate was recorded despite the increase in sales of RTS Food in FYE 2008 as compared to FYE 2007.

There was no production of canned food in FPE 2010 mainly due to the increased demand for our RTS Food and frozen vegetables during the period, wherein we have reallocated our resources from the production of canned food to focus on the production of RTS Food and frozen vegetables. Currently, our Group produces canned food only upon request by customers as canned food is not the primary focus of our Group.

8. FINANCIAL INFORMATION (CONT'D)

For the financial years and periods under review, our Group's revenue is made up of sales of RTS Food, frozen vegetables, canned food and others as follows:-

- (a) RTS Food comprises pre-cooked gourmet poultry and meat based products which are either frozen or vacuum packed for convenient storage, easy preparation and quick consumption. Examples of our RTS Food include frozen barbequed duck meat sticks, frozen smoked duck breast, frozen omelette with seafood and noodles, frozen spring rolls, frozen Japanese beef croquette, frozen stewed beef, frozen vacuum packed whole barbequed duck and frozen vacuum packed whole roasted chicken.
- (b) Frozen vegetables comprise pre-cooked vegetables and fresh vegetables which are frozen for convenient storage and preparation. Examples of our frozen vegetables include frozen top grade green asparagus, frozen chopped chilli, frozen broccoli, frozen french fries, frozen mashed ginger and frozen sliced garlic.
- (c) Canned food comprises pre-cooked and fresh seafood, vegetables and fruits which are canned for hassle free storage and fast consumption. Examples of our canned food include canned smoked mussels, canned oysters, canned mackerel, canned white/green asparagus, canned white peaches and canned fruit cocktail.
- (d) Others comprise mainly VF Snacks and asparagus tea products. Examples of our VF Snacks include vacuum fried mixed vegetables pack, vacuum fried potato chips and vacuum fried carrot chips. Our current range of asparagus tea includes asparagus tea bags, high grade asparagus tea slices and family pack asparagus tea.

Our products under "Hengbao Food", "The Four Seasons Farm" and "Geleifu" brands contribute approximately 5.98% and 2.30% of our Group's total revenue for FYE 2009 and FPE 2010 respectively (please refer to Section 8.3.1(i)(d) of this Prospectus for the revenue analysis by OEM and our own brand products).

Revenue is recognised upon the delivery to and acceptance of our products by our customers. We recognise returns from our customers only for products which do not meet the required specifications or quality standards. Our sales are denominated mainly in RMB and USD. For FYE 2009 and FPE 2010, sales in USD accounted for approximately 7.70% and 7.18% of our Group's total revenue respectively.

Our products are sold within the PRC as well as to countries including Japan, USA and Europe. Our customers comprise mainly wholesalers or distributors who are located in the PRC and overseas. Although a significant portion of our sales are to wholesalers and distributors located in the PRC, to the best of our management's knowledge, the majority of such PRC wholesalers and distributors ultimately export our products overseas as most of our products are packed in the packaging materials imprinted with the ultimate customers' logos/ brands which are either in Japanese or other foreign countries.

8. FINANCIAL INFORMATION (CONT'D)

The tables below set out the sales quantity, average selling price and revenue contribution of our Group by product segments, geographical area and OEM versus our own brand products for the respective financial years and periods under review:-

(a) Sales Quantity and Average Selling Price

	FYE 2006		FYE 2007		FYE 2008		FYE 2009		FPE 2009		FPE 2010	
	Total tonnes sold	Average Selling Price (RMB/ kg)	Total tonnes sold	Average Selling Price (RMB/ kg)	Total tonnes sold	Average Selling Price (RMB/ kg)	Total tonnes sold	Average Selling Price (RMB/ kg)	Total tonnes sold	Average Selling Price (RMB/ kg)	Total tonnes sold	Average Selling Price (RMB/ kg)
RTS Food	2,790	23.88	3,845	29.45	9,058	34.54	16,835	26.49	6,926	27.68	12,520	25.14
Frozen vegetables	5,753	6.54	16,399	5.03	6,109	6.65	7,043	10.43	4,013	8.68	4,201	16.37
Canned food	907	16.27	624	25.86	2,320	25.73	1,702	30.52	1,672	30.86	-	-
Others*	173	42.33	170	39.36	41	47.00	261	143.59	44	147.09	53	170.13
Total	9,623	13.13	21,038	10.39	17,528	23.68	25,841	23.56	12,655	22.49	16,774	23.40

Note * - Others comprising of vacuum packed pet food, VF Snacks and asparagus tea. We ceased the production of vacuum packed pet food at the start of FYE 2008. VF Snacks and asparagus tea were introduced in FYE 2007 and FYE 2008 respectively.

Our selling prices are determined and negotiated on a case-to-case basis and may vary according to factors such as, including but not limited to, order volume, product mix of orders, anticipated raw material prices and location of our customers. As such, our overall average unit selling price is highly dependent on the mix of products sold during each financial year or financial period.

(b) Revenue Analysis by Product Segments

In RMB	Audited											
	FYE 2006		FYE 2007		FYE 2008		FYE 2009		FPE 2009		FPE 2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
RTS Food	66,622	52.73	113,234	51.80	312,895	75.37	445,918	73.25	191,726	67.36	314,765	80.18
Frozen vegetables	37,635	29.79	82,555	37.76	40,608	9.78	73,431	12.06	34,830	12.24	68,772	17.52
Canned food	14,754	11.68	16,135	7.38	59,696	14.38	51,950	8.53	51,597	18.13	-	-
Others *	7,324	5.80	6,691	3.06	1,927	0.47	37,476	6.16	6,472	2.27	9,017	2.30
Total	126,335	100.00	218,615	100.00	415,126	100.00	608,775	100.00	284,625	100.00	392,554	100.00

In RM	Audited											
	FYE 2006		FYE 2007		FYE 2008		FYE 2009		FPE 2009		FPE 2010	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
RTS Food	30,626	52.73	51,159	51.80	150,784	75.37	229,960	73.25	100,694	67.36	152,000	80.18
Frozen vegetables	17,301	29.79	37,298	37.76	19,569	9.78	37,868	12.06	18,293	12.24	33,210	17.52
Canned food	6,782	11.68	7,290	7.38	28,768	14.38	26,791	8.53	27,099	18.13	-	-
Others *	3,367	5.80	3,023	3.06	929	0.47	19,326	6.16	3,399	2.27	4,354	2.30
Total	58,076	100.00	98,770	100.00	200,050	100.00	313,945	100.00	149,485	100.00	189,564	100.00

Note * - Others comprising of vacuum packed pet food, VF Snacks and asparagus tea. We ceased the production of vacuum packed pet food at the start of FYE 2008. VF Snacks and asparagus tea were introduced in FYE 2007 and FYE 2008 respectively.

8. FINANCIAL INFORMATION (CONT'D)

Our products are manufactured based on our customers' demand or orders. As consumers' preferences in tastes and varieties of food are ever-changing, we normally work closely with our customers to continuously develop new and innovative product offerings which are enhancement to our existing products to cater to the preferences of our customers as well as the targeted market.

The decrease in the contribution from the frozen vegetables product segment since FYE 2008 was mainly due to the reallocation of our production resources to focus on the production of our new range of duck RTS Food products which fetched higher average selling price and was launched in the second quarter of FYE 2008.

Notwithstanding that duck RTS Food products will be our key focus moving forward, we will continue the production of other meat based RTS Food products which are also in demand by our customers.

(c) Revenue Analysis by Geographical Area

In RMB	FYE 2006		FYE 2007		FYE 2008		FYE 2009		FPE 2009		FPE 2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Export												
- Japan	56,969	45.09	63,309	28.96	18,063	4.35	45,270	7.44	16,283	5.72	27,472	7.00
- Europe	4,138	3.28	4,186	1.92	6,991	1.68	1,412	0.23	782	0.27	603	0.15
- Others	2,000	1.58	1,950	0.89	-	-	202	0.03	104	0.04	116	0.03
	63,107	49.95	69,445	31.77	25,054	6.03	46,884	7.70	17,169	6.03	28,191	7.18
Local (PRC)	63,228	50.05	149,170	68.23	390,072	93.97	561,891	92.30	267,456	93.97	364,363	92.82
Total	126,335	100.00	218,615	100.00	415,126	100.00	608,775	100.00	284,625	100.00	392,554	100.00

In RM	FYE 2006		FYE 2007		FYE 2008		FYE 2009		FPE 2009		FPE 2010	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Export												
- Japan	26,189	45.09	28,603	28.96	8,705	4.35	23,346	7.44	8,552	5.72	13,266	7.00
- Europe	1,902	3.28	1,891	1.92	3,369	1.68	728	0.23	411	0.27	291	0.15
- Others	919	1.58	881	0.89	-	-	104	0.03	54	0.04	56	0.03
	29,010	49.95	31,375	31.77	12,074	6.03	24,178	7.70	9,017	6.03	13,613	7.18
Local (PRC)	29,066	50.05	67,395	68.23	187,976	93.97	289,767	92.30	140,468	93.97	175,951	92.82
Total	58,076	100.00	98,770	100.00	200,050	100.00	313,945	100.00	149,485	100.00	189,564	100.00

We have shifted our target market from export market to domestic market over the financial years and periods under review as our management is of the view that sales through PRC wholesalers or distributors will minimise our Group's exposure to the risk of adverse exchange rate fluctuation resulting from depreciation of foreign currencies or appreciation of RMB as sales to overseas market are primarily transacted in foreign currencies. Further, by selling through PRC wholesalers or distributors, our Group will be able to reduce the incurrence of direct marketing and distribution expenses normally required for entering into new overseas markets and to be able to extend our Group's market reach without incurring additional expenses.

8. FINANCIAL INFORMATION (CONT'D)

(d) Revenue Analysis by OEM Versus Our Own Brand Products

In RMB	FYE 2006		FYE 2007		FYE 2008		FYE 2009		FPE 2009		FPE 2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
OEM	126,335	100.00	218,567	99.98	412,811	99.44	572,366	94.02	278,774	97.94	383,537	97.70
Own brand	-	-	48	0.02	2,315	0.56	36,409	5.98	5,851	2.06	9,017	2.30
Total	126,335	100.00	218,615	100.00	415,126	100.00	608,775	100.00	284,625	100.00	392,554	100.00

In RM	FYE 2006		FYE 2007		FYE 2008		FYE 2009		FPE 2009		FPE 2010	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
OEM	58,076	100.00	98,749	99.98	198,934	99.44	295,169	94.02	146,412	97.94	185,210	97.70
Own brand	-	-	21	0.02	1,116	0.56	18,776	5.98	3,073	2.06	4,354	2.30
Total	58,076	100.00	98,770	100.00	200,050	100.00	313,945	100.00	149,485	100.00	189,564	100.00

We are currently an OEM player. However, moving forward, we intend to build up our own brands, particularly in the PRC domestic market.

Revenue from our own brand products in FYE 2008 was mainly derived from sales of stewed chicken and the introduction of asparagus tea in the second half of FYE 2008. The increase in sales of our own brand products from approximately RMB2.32 million in FYE 2008 to approximately RMB36.41 million in FYE 2009 was mainly due to increase in sales of asparagus tea as well as the introduction of VF Snacks under our "The Four Seasons Farm" brand in the second quarter of FYE 2009.

(e) Commentaries on Revenue

Our commentaries on our Group's revenue are as follows:-

FYE 2007 vs FYE 2006

Our revenue increased by approximately RMB92.28 million or approximately 73.04% from approximately RMB126.34 million in FYE 2006 to approximately RMB218.62 million in FYE 2007 mainly due to an increase in our installed production capacity for RTS Food and frozen vegetables from 14,400 tonnes in FYE 2006 to approximately 21,600 tonnes in FYE 2007 as well as increase in demand for RTS Food and frozen vegetables by our existing and new customers in the PRC.

Sales of RTS Food increased by approximately RMB46.61 million or approximately 69.96% from approximately RMB66.62 million in FYE 2006 to approximately RMB113.23 million in FYE 2007 mainly due to increase in orders for our existing products, in particular, meat RTS Food products.

8. FINANCIAL INFORMATION (CONT'D)

Sales of frozen vegetables increased by approximately RMB44.92 million or approximately 119.34% from approximately RMB37.64 million in FYE 2006 to approximately RMB82.56 million in FYE 2007 mainly due to increase in orders for our existing products, namely frozen french fries, frozen mashed ginger and frozen sliced carrots.

Despite the increase in sales of RTS Food and frozen vegetables, our revenue for canned food and others remained relatively unchanged. Sales of canned food in FYE 2006 and FYE 2007 were approximately RMB14.75 million and approximately RMB16.14 million respectively, whereas sales of others were approximately RMB7.32 million and RMB6.69 million in FYE 2006 and FYE 2007 respectively.

Our overall average unit selling price decreased from approximately RMB13.13 per kg in FYE 2006 to approximately RMB10.39 per kg in FYE 2007 mainly due to a proportionately higher volume of frozen vegetables sold compared to RTS Food in FYE 2007, coupled with a decrease in average unit selling price for frozen vegetables. Despite a decrease in average unit selling price of frozen vegetables from approximately RMB6.54 per kg in FYE 2006 to approximately RMB5.03 per kg in FYE 2007, the volume of frozen vegetables sold in FYE 2007 increased from approximately 5,753 tonnes in FYE 2006 to approximately 16,399 tonnes in FYE 2007.

Our export sales increased by approximately RMB6.34 million or approximately 10.05% from approximately RMB63.11 million in FYE 2006 to approximately RMB69.45 million in FYE 2007 mainly due increase in our sales to Japan.

FYE 2008 vs FYE 2007

Our revenue increased by approximately RMB196.51 million or approximately 89.89% from approximately RMB218.62 million in FYE 2007 to approximately RMB415.13 million in FYE 2008. The increase was mainly due to increases in domestic sales of RTS Food and canned food to existing and new customers which were partly offset by decrease in sales of frozen vegetables and export sales.

Sales of RTS Food increased significantly by approximately RMB199.66 million or approximately 176.33% from approximately RMB113.23 million in FYE 2007 to approximately RMB312.89 million in FYE 2008. The increase was mainly attributable to increase in our new range of duck RTS Food products which we successfully launched in the second quarter of FYE 2008 as well as sales of our existing meat RTS Food products such as steamed beef slices and spring rolls.

8. FINANCIAL INFORMATION (CONT'D)

Sales of frozen vegetables decreased by approximately RMB41.95 million or approximately 50.81% from approximately RMB82.56 million in FYE 2007 to approximately RMB40.61 million in FYE 2008 mainly due to the reallocation of our production resources to focus on the production of our new range of duck RTS Food products which has higher average selling price and GP margin.

The reallocation of our production resources to focus on the production of duck RTS Food products is to further consolidate Rizhao Hengbao's position as the largest manufacturer of cooked duck meat products in Shandong Province. The future prospects of duck RTS Food products is more favourable compared to that of frozen vegetables mainly due to the following:-

- (a) Steady increases in demand for duck RTS Food products by our customers; and
- (b) We intend to enter into duck farming and breeding as well as duck meat processing in 2011 (as detailed in Section 4.21.1(i) and (ii) of this Prospectus). It is important for us to increase our scale of operations in respect of duck RTS Food products to enable us to achieve greater economies of scale.

Sales of canned food increased significantly by approximately RMB43.56 million or approximately 269.89% from approximately RMB16.14 million (approximately 624 tonnes) in FYE 2007 to approximately RMB59.70 million (approximately 2,320 tonnes) in FYE 2008 mainly due to increase in demand for our canned smoked mussels from two (2) main PRC customers. Sales of our canned smoked mussels increased from approximately RMB9.99 million with 444 tonnes sold in FYE 2007 to approximately RMB59.41 million with 2,308 tonnes sold in FYE 2008.

Sales of others decreased by approximately RMB4.76 million or approximately 71.15% from approximately RMB6.69 million in FYE 2007 to approximately RMB1.93 million in FYE 2008 mainly due to decrease in sales of vacuum packed pet food. We ceased production of vacuum packed pet food at the start of FYE 2008 to focus on RTS Food and frozen vegetable. The aggregate sales of vacuum packed pet food accounted for less than 5.0% of our Group's aggregate sales in FYE 2007.

Our export sales decreased by approximately RMB44.40 million or approximately 63.93% from approximately RMB69.45 million in FYE 2007 to approximately RMB25.05 million in FYE 2008 mainly due to temporary export quotas imposed by the PRC government on all food exports during the Beijing 2008 Olympics period from April to October 2008. Nevertheless, our local sales increased by approximately RMB240.90 million or approximately 161.49% from RMB149.17 million in FYE 2007 to approximately RMB390.07 million in FYE 2008.

8. FINANCIAL INFORMATION (CONT'D)

In FYE 2008, our overall average unit selling price was approximately RMB23.68 per kg as compared to RMB10.39 per kg in FYE 2007. The sharp increase was mainly due to the increase in average unit selling price for RTS Food from approximately RMB29.45 per kg to approximately RMB34.54 per kg which was attributable to our new range of duck RTS Food products as well as higher selling prices for our existing meat RTS Food products, specifically for cooked sliced meat (Mizutake) product.

FYE 2009 vs FYE 2008

Our revenue increased by approximately RMB193.65 million or approximately 46.65% from approximately RMB415.13 million in FYE 2008 to approximately RMB608.78 million in FYE 2009 mainly due to increase in sales of our RTS Food, frozen vegetables and others segments.

Sales of RTS Food increased by approximately RMB133.03 million or approximately 42.52% from approximately RMB312.89 million in FYE 2008 to approximately RMB445.92 million in FYE 2009 mainly due to increase in sales of meat RTS Food products, in particular, duck RTS Food products, beef RTS Food products as well as the launch of new products such as omelette with seafood and noodles in the fourth quarter of FYE 2008.

Sales of duck RTS Food products which was launched in the second quarter of FYE 2008 increased by approximately RMB114.65 million or approximately 140.90% from approximately RMB81.37 million in FYE 2008 to approximately RMB196.02 million in FYE 2009.

Sales of frozen vegetables increased by approximately RMB32.82 million or approximately 80.82% from approximately RMB40.61 million in FYE 2008 to approximately RMB73.43 million in FYE 2009 mainly due to increase in sales of a type of gourmet frozen potato products to our existing PRC customers which requires longer preparation time and fetched a higher selling price.

Sales of canned food decreased by approximately RMB7.75 million or approximately 12.98% from approximately RMB59.70 million in FYE 2008 to approximately RMB51.95 million in FYE 2009 mainly due to decrease in sales of canned smoked mussels and canned white asparagus to our PRC customers.

Sales of others increased by approximately RMB35.55 million from approximately RMB1.93 million in FYE 2008 to approximately RMB37.48 million in FYE 2009 mainly due to the increase in sales volume and selling price of our new asparagus tea which we introduced in the second half of 2008, as well as increase in sales of VF Snacks. Sales of asparagus tea increased from approximately 0.98 tonnes in FYE 2008 to approximately 5.06 tonnes in FYE 2009.

8. FINANCIAL INFORMATION (CONT'D)

Our export sales increased significantly by approximately RMB21.83 million or approximately 87.15% from approximately RMB25.05 million in FYE 2008 to approximately RMB46.88 million in FYE 2009 mainly due to the resumption of normal exports from October 2008 onwards after the Beijing 2008 Olympics.

Our overall average unit selling price decreased slightly from approximately RMB23.68 per kg in FYE 2008 to approximately RMB23.56 per kg in FYE 2009 mainly due to the decrease in the average unit selling price of RTS Food from approximately RMB34.54 per kg in FYE 2008 to approximately RMB26.49 per kg in FYE 2009 contributed by the decrease in sales of certain RTS Food products which fetched higher average selling prices such as simmered meat skewer, barbequed poultry (duck meat) and cooked sliced meat (Mizutake) as a result of lower demand from the customers for the aforementioned products in FYE 2009.

On the other hand, the significant increase in the average unit selling price of others from approximately RMB47.0 per kg in FYE 2008 to approximately RMB143.59 per kg in FYE 2009 was mainly due to the introduction of asparagus tea and VF Snacks under our "The Four Seasons Farm" brand in the second half of FYE 2008 and second quarter of FYE 2009 respectively which fetched higher selling prices compared to our existing products. The average unit selling price of the asparagus tea increased from approximately RMB669 per kg in FYE 2008 to approximately RMB2,547 per kg in FYE 2009 mainly due to the use of higher quality and more attractive packaging materials.

FPE 2010 vs FPE 2009

Our revenue increased by approximately RMB107.92 million or approximately 37.92% from approximately RMB284.63 million in FPE 2009 to approximately RMB392.55 million in FPE 2010 mainly due to increase in sales of our RTS Food, frozen vegetables and others segments.

Sales of RTS Food increased by approximately RMB123.04 million or approximately 64.17% from approximately RMB191.73 million in FPE 2009 to approximately RMB314.77 million in FPE 2010 mainly due to increase in sales of meat RTS Food products, in particular duck RTS Food products, spring rolls, frozen omelette as well as some new products to our new and existing customers.

Sales of duck RTS Food products increased by approximately RMB47.82 million or approximately 62.18% from approximately RMB76.91 million in FPE 2009 to approximately RMB124.73 million in FPE 2010.

Sales of frozen vegetables increased significantly by approximately RMB33.94 million or approximately 97.44% from approximately RMB34.83 million in FPE 2009 to approximately RMB68.77 million in FPE 2010 mainly due to increase in sales of frozen potato products and fried mushroom to our new customers.

8. FINANCIAL INFORMATION (CONT'D)

There were no sales of canned food made in FPE 2010 as we were focusing on the production of our RTS Food and frozen vegetables to meet the increased demand from these two (2) segments.

Sales of others increased by approximately RMB2.55 million or approximately 39.41% from approximately RMB6.47 million in FPE 2009 to approximately RMB9.02 million in FPE 2010 mainly due to increase in sales of VF Snacks and asparagus tea. Sales of VF Snacks increased from approximately 42.60 tonnes in FPE 2009 to approximately 51.26 tonnes in FPE 2010 whereas sales of asparagus tea increased from approximately 1.37 tonnes in FPE 2009 to approximately 1.39 tonnes in FPE 2010.

Our export sales increased by approximately RMB11.02 million or approximately 64.18% from approximately RMB17.17 million in FPE 2009 to approximately RMB28.19 million in FPE 2010 mainly due to increase in orders from our existing and new overseas customers.

Our overall average unit selling price increased from approximately RMB22.49 per kg in FPE 2009 to approximately RMB23.40 per kg in FPE 2010 mainly due to increase in average unit selling prices of frozen vegetables. The average unit selling price of RTS Food decreased from approximately RMB27.68 per kg in FPE 2009 to approximately RMB25.14 per kg in FPE 2010 mainly due to the product mix, wherein there were higher sales of lower selling price products such as spring rolls and meat based union roll, and lower sales of higher selling price products such as cooked sliced meat (Mizutake) in FPE 2010.

On the other hand, the higher average unit selling price for frozen vegetables and others in FPE 2010 as compared to FPE 2009 was mainly due to increase in sales of frozen gourmet potato products and asparagus tea which commands higher average selling price. The average unit selling price of the asparagus tea increased slightly from approximately RMB2,526 per kg in FPE 2009 to approximately RMB2,547 per kg in FPE 2010.

(ii) Cost of Sales, GP and GP Margin

In RMB	Audited											
	FYE 2006		FYE 2007		FYE 2008		FYE 2009		FPE 2009		FPE 2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Raw materials	84,699	86.28	126,520	87.95	261,025	92.47	363,120	92.06	170,457	92.36	242,624	92.21
Direct labour	6,918	7.05	8,988	6.25	12,205	4.32	18,295	4.64	7,841	4.25	12,062	4.58
Manufacturing overheads	6,547	6.67	8,339	5.80	9,074	3.21	13,031	3.30	6,262	3.39	8,432	3.21
Total	98,164	100.00	143,847	100.00	282,304	100.00	394,446	100.00	184,560	100.00	263,118	100.00

8. FINANCIAL INFORMATION (CONT'D)

In RM	Audited											
	FYE 2006		FYE 2007		FYE 2008		FYE 2009		FPE 2009		FPE 2010	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Raw materials	38,936	86.28	57,161	87.95	125,788	92.47	187,261	92.06	89,524	92.36	117,163	92.21
Direct labour	3,180	7.05	4,061	6.25	5,882	4.32	9,435	4.64	4,118	4.25	5,825	4.58
Manufacturing overheads	3,010	6.67	3,768	5.80	4,373	3.21	6,720	3.30	3,289	3.39	4,072	3.21
Total	45,126	100.00	64,990	100.00	136,043	100.00	203,416	100.00	96,931	100.00	127,060	100.00

Direct raw materials used in our manufacturing process include poultry, meat, seafood, vegetables, fruits, ingredients and packing materials. For FYE 2006, FYE 2007, FYE 2008, FYE 2009, FPE 2009 and FPE 2010, direct raw materials and indirect raw materials (herein collectively referred to as "raw materials") in aggregate accounted for approximately 86.28%, 87.95%, 92.47%, 92.06%, 92.36% and 92.21% respectively of our total cost of sales.

Generally, our costs of raw materials, in particular, poultry, meat, vegetables and fruits vary according to market supply and demand conditions. Rizhao Hengbao entered into contracts with certain vegetable suppliers to enable Rizhao Hengbao to have access to stable supplies of raw materials which meet our customers' requirements. For vegetable suppliers whom we enter into contracts with, the suppliers will undertake to grow the type(s) of crop(s) in the quantities we require in accordance with strict seeding and farming rules specified by our QC Department and in return, we agree to purchase from the suppliers their harvest at a pre-agreed minimum unit price. In view of our strategic geographical location (please refer to the Section 4.10 of this Prospectus), we did not experience any material shortages in supplies of any raw materials throughout the financial years and periods under review.

Rizhao Hengbao enters into three (3) years contract with certain of its local customers where the customers will specify, for the current calendar year, the types of products they are interested in, the forecasted order quantities and the unit prices. Due to the fact that our selling prices are negotiated and determined on a case-by-case basis, we have been able to pass on any prolonged material fluctuation in prices of raw materials to our customers.

Direct labour comprises salaries and wages of our production workers who are hired directly from the neighbouring towns and villages of Ju County. Direct labour costs accounted for approximately 7.05%, 6.25%, 4.32%, 4.64%, 4.25% and 4.58% of our total cost of sales in FYE 2006, FYE 2007, FYE 2008, FYE 2009, FPE 2009 and FPE 2010 respectively. Generally, our direct labour cost fluctuates according to our level of production activities.

8. FINANCIAL INFORMATION (CONT'D)

Manufacturing overheads comprise mainly energy, utilities and depreciation charges. For FYE 2006, FYE 2007, FYE 2008, FYE 2009, FPE 2009 and FPE 2010, manufacturing overhead costs accounted for approximately 6.67%, 5.80%, 3.21%, 3.30%, 3.39% and 3.21% of our total cost of sales respectively. Generally, our manufacturing overhead fluctuates according to our level of production activities.

(b) GP and GP Margin

The tables below set out the breakdown of our GP and GP margin by product segments for the respective financial years and periods under review:-

(aa) GP

In RMB	Audited											
	FYE 2006		FYE 2007		FYE 2008		FYE 2009		FPE 2009		FPE 2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
RTS Food	17,207	61.08	36,603	48.96	100,147	75.40	151,342	70.61	70,202	70.16	100,747	77.84
Frozen vegetables	6,285	22.31	32,109	42.94	12,741	9.59	30,238	14.11	13,143	13.13	24,094	18.61
Canned food	3,194	11.34	3,922	5.25	19,227	14.48	13,534	6.31	13,339	13.33	-	-
Others*	1,485	5.27	2,134	2.85	707	0.53	19,215	8.97	3,381	3.38	4,595	3.55
Total	28,171	100.00	74,768	100.00	132,822	100.00	214,329	100.00	100,065	100.00	129,436	100.00

In RM	Audited											
	FYE 2006		FYE 2007		FYE 2008		FYE 2009		FPE 2009		FPE 2010	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
RTS Food	7,910	61.08	16,537	48.96	48,260	75.40	78,047	70.61	36,870	70.16	48,650	77.84
Frozen vegetables	2,889	22.31	14,507	42.94	6,140	9.59	15,594	14.11	6,903	13.13	11,635	18.61
Canned food	1,468	11.34	1,772	5.25	9,266	14.48	6,979	6.31	7,005	13.33	-	-
Others*	683	5.27	964	2.85	341	0.53	9,909	8.97	1,776	3.38	2,219	3.55
Total	12,950	100.00	33,780	100.00	64,007	100.00	110,529	100.00	52,554	100.00	62,504	100.00

Note * - Others comprising of vacuum packed pet food, VF Snacks and asparagus tea. We ceased the production of vacuum packed pet food at the start of FYE 2008. VF Snacks and asparagus tea were introduced in FYE 2007 and FYE 2008 respectively.

(bb) GP Margin

	Audited					
	FYE 2006 %	FYE 2007 %	FYE 2008 %	FYE 2009 %	FPE 2009 %	FPE 2010 %
RTS Food	25.83	32.33	32.01	33.94	36.62	32.01
Frozen vegetables	16.70	38.89	31.38	41.18	37.73	35.03
Canned food	21.65	24.31	32.21	26.05	25.85	-
Others*	20.28	31.89	36.69	51.27	52.24	50.96
Overall GP margin	22.30	34.20	32.00	35.21	35.16	32.97

Note * - Others comprising of vacuum packed pet food, VF Snacks and asparagus tea. We ceased the production of vacuum packed pet food at the start of FYE 2008. VF Snacks and asparagus tea were introduced in FYE 2007 and FYE 2008 respectively.

8. FINANCIAL INFORMATION (CONT'D)

Our average GP margins in FYE 2006, FYE 2007, FYE 2008, FYE 2009, FPE 2009 and FPE 2010 were approximately 22.30%, 34.20%, 32.0%, 35.21%, 35.16% and 32.97% respectively. Generally, our GP margin is dependent on the selling prices of our products, the product mix of our sales and our production volume. As our production volume increases, we enjoy economies of scales by having our fixed overheads spread over a greater volume of output, resulting in lower per-unit production cost.

(d) Commentary on Cost of Sales, GP and GP Margin

Our commentaries on our Group's cost of sales, GP and GP margin are as follows:-

FYE 2007 vs FYE 2006

Our cost of sales increased by approximately RMB45.69 million or approximately 46.55% from approximately RMB98.16 million in FYE 2006 to approximately RMB143.85 million in FYE 2007 in line with our increase in revenue.

The percentage increase in our revenue was higher compared to the percentage increase in our cost of sales mainly due to improvements in GP margins for all of our product segments. In particular, the improvements in GP margins for our RTS Food and frozen vegetables segments were mainly due to economies of scale as a result of higher utilisation rates of our quick freeze lines.

Our GP increased by approximately RMB46.60 million or approximately 165.42% from approximately RMB28.17 million in FYE 2006 to approximately RMB74.77 million in FYE 2007 mainly due to the increase in revenue as well as improvement in our average GP margin from approximately 22.30% in FYE 2006 to approximately 34.20% in FYE 2007.

FYE 2008 vs FYE 2007

Our cost of sales increased by approximately RMB138.45 million or approximately 96.25% from approximately RMB143.85 million in FYE 2007 to approximately RMB282.30 million in FYE 2008 in line with our increase in revenue.

Our overall GP margin decreased marginally by approximately 2.20% from 34.20% recorded in FYE 2007 to approximately 32.0% in FYE 2008 mainly due to the decrease in GP margin for frozen vegetables which was partially offset by increase in GP margin for canned food and others. GP margin for frozen vegetables decreased from approximately 38.89% in FYE 2007 to approximately 31.38% in FYE 2008. The decrease in GP margin for frozen vegetables was mainly due to decrease in sales of certain high margin frozen vegetables products in FYE 2008. GP margin for RTS Food in FYE 2008 remained relatively unchanged at approximately 32.01% in FYE 2008 as compared to approximately 32.33% in FYE 2007.

8. FINANCIAL INFORMATION (CONT'D)

Despite a marginal reduction in our overall GP margin, our GP increased by approximately RMB58.05 million or approximately 77.64% from approximately RMB74.77 million in FYE 2007 to approximately RMB132.82 million in FYE 2008 mainly due to the significant increase in revenue.

FYE 2009 vs FYE 2008

Our cost of sales increased by approximately RMB112.15 million or approximately 39.73% from approximately RMB282.30 million in FYE 2008 to approximately RMB394.45 million in FYE 2009 in line with our increase in revenue.

Our GP increased by approximately RMB81.51 million or approximately 61.37% from approximately RMB132.82 million in FYE 2008 to approximately RMB214.33 million in FYE 2009 mainly due to the increase in revenue coupled with an improvement in our overall GP margin from approximately 32.0% in FYE 2008 to approximately 35.21% in FYE 2009. The improvement in our overall GP margin was mainly due to the increase in sales of our duck RTS Food products which generally have higher GP margin as well as improvement in the GP margin of certain of our existing products.

FPE 2010 vs FPE 2009

Our cost of sales increased by approximately RMB78.56 million or approximately 42.57% from approximately RMB184.56 million in FPE 2009 to approximately RMB263.12 million in FPE 2010 in line with our increase in revenue.

Our overall GP margin decreased marginally by approximately 2.19% from 35.16% recorded in FPE 2009 to approximately 32.97% in FPE 2010 mainly contributed by the sales of different product mix in FPE 2010 as compared to FPE 2009 wherein there was higher volume of sales for products with lower GP margin in FPE 2010 as compared to FPE 2009.

Despite a reduction in our overall GP margin, our GP increased by approximately RMB29.36 million or approximately 29.34% from approximately RMB100.07 million in FPE 2009 to approximately RMB129.43 million in FPE 2010 mainly due to the increase in our revenue.

(iii) Other Operating Income

Other operating income comprises mainly gain on disposal of property, plant and equipment, government interest subsidies, interest and foreign exchange gains. For the financial years and periods under review, we did not have any significant other operating income.

8. FINANCIAL INFORMATION (CONT'D)

Commentaries on our Group's other operating income are as follows:-

FYE 2007 vs FYE 2006

Our other operating income increased by approximately RMB2.0 million from approximately RMB0.25 million in FYE 2006 to approximately RMB2.25 million in FYE 2007 mainly due to reversal of provision for staff welfare which was no longer required of approximately RMB1.78 million.

FYE 2008 vs FYE 2007

Our other operating income decreased from approximately RMB2.25 million in FYE 2007 to approximately RMB0.89 million in FYE 2008 comprising mainly net foreign exchange gain, government subsidies and interest income of approximately RMB0.48 million, RMB0.15 million and RMB0.26 million respectively.

FYE 2009 vs FYE 2008

Our other operating income increased from approximately RMB0.89 million in FYE 2008 to approximately RMB1.80 million in FYE 2009 mainly due to the increase in government subsidies.

FPE 2010 vs FPE 2009

Our other operating income of approximately RMB1.82 million in FPE 2010 comprised mainly gain on fair value adjustments for borrowings and interest income whilst our other operating income of approximately RMB1.02 million recorded in FPE 2009 was in respect of government subsidies.

(iv) **Selling and Distribution Expenses**

Our commentaries on our Group's selling and distribution expenses are as follows:-

Our selling and distribution expenses comprise mainly freight charges, salaries of sales and marketing personnel, packing costs and advertisement. Generally, our selling and distribution expenses fluctuate according to our level of business activities and revenue.

FYE 2007 vs FYE 2006

Our selling and distribution costs increased by approximately RMB0.19 million or approximately 26.03% from approximately RMB0.73 million in FYE 2006 to RMB0.92 million in FYE 2007 mainly due to increases in freight charges and advertisement cost in line with our growth in revenue.

FYE 2008 vs FYE 2007

Our selling and distribution expenses decreased by approximately RMB0.17 million or approximately 18.48% from approximately RMB0.92 million in FYE 2007 to approximately RMB0.75 million in FYE 2008 mainly due to decrease in freight charges and advertisement expenses as a result of lower export sales resulting from temporary export quotas imposed by the PRC government during the Beijing 2008 Olympics period from April to September 2008.

8. FINANCIAL INFORMATION (CONT'D)

FYE 2009 vs FYE 2008

Our selling and distribution expenses increased by approximately RMB0.66 million from approximately RMB0.75 million in FYE 2008 to approximately RMB1.41 million in FYE 2009 mainly due to the increase in freight charges, advertisement and inspection fees from approximately RMB0.44 million in FYE 2008 to approximately RMB1.07 million in FYE 2009 in line with our increase in revenue and the resumption of normal export sales since October 2008 after the Beijing 2008 Olympics.

FPE 2010 vs FPE 2009

Our selling and distribution expenses decreased by approximately RMB0.26 million from approximately RMB0.99 million in FPE 2009 to approximately RMB0.73 million in FPE 2010 mainly due to decrease in freight charges and advertisement expenses.

(v) General and Administrative Expenses

Our general and administrative expenses comprise mainly staff costs (excluding sales and marketing personnel), directors' remunerations, depreciation charges, amortisation charges and taxation expenses.

Our commentaries on our Group's general and administrative expenses are as follows:-

FYE 2007 vs FYE 2006

Our general and administrative expenses increased by approximately RMB1.76 million or approximately 131.34% from approximately RMB1.34 million in FYE 2006 to approximately RMB3.10 million in FYE 2007 mainly due to increase in staff costs (including staff salaries, staff welfare, staff retirement fund, staff unemployment fund and medical insurance) of approximately RMB1.05 million and amortisation charges of approximately RMB0.24 million.

FYE 2008 vs FYE 2007

Our general and administrative expenses increased by approximately RMB2.80 million or approximately 90.32% from approximately RMB3.10 million in FYE 2007 to approximately RMB5.90 million in FYE 2008 mainly due to preliminary expenses incurred for the acquisition of a new piece of land adjacent to the location of our second production plant as well as increase in depreciation, insurance, office supplies and entertainment expenses.

FYE 2009 vs FYE 2008

Our general and administrative expenses increased by approximately RMB1.69 million or approximately 28.64% from approximately RMB5.90 million in FYE 2008 to approximately RMB7.59 million in FYE 2009 mainly due to increase in staff costs as a result of the commencement of commercial production of our second production plant in September 2008 and higher travelling expenses.

8. FINANCIAL INFORMATION (CONT'D)

FPE 2010 vs FPE 2009

Our general and administrative expenses increased by approximately RMB0.45 million or approximately 14.61% from approximately RMB3.08 million in FPE 2009 to approximately RMB3.53 million in FPE 2010 mainly due to increase in depreciation charges pursuant to the completion of the construction of our workers' hostel.

(vi) Other Operating Expenses

Our other operating expenses comprise mainly foreign exchange losses, one-off adjustments on assets revaluation deficit and inventories written off.

Our commentaries on our Group's other operating expenses are as follows:-

FYE 2007 vs FYE 2006

Our other operating expenses increased by approximately RMB5.54 million from approximately RMB1.67 million in FYE 2006 to approximately RMB7.21 million in FYE 2007 mainly due to a one-off adjustments for assets revaluation deficit of certain assets which we acquired from Ju County State-Owned Assets Administration Bureau in FYE 2006 and inventories written off which in aggregate amounted to approximately RMB6.72 million.

FYE 2008 vs FYE 2007

We did not incur any material other operating expenses in FYE 2008. The resulting net foreign exchange gain is reflected in other operating income.

FYE 2009 vs FYE 2008

Our other operating expenses in FYE 2009 comprise mainly net foreign exchange losses of approximately RMB0.64 million.

FPE 2010 vs FPE 2009

Our other operating expenses in FPE 2010 consist entirely of foreign exchange losses of approximately RMB2.66 million.

(vii) Finance Costs

Our finance cost comprises entirely of interest on bank borrowings.

Our commentaries on our Group's finance costs are as follows:-

FYE 2007 vs FYE 2006

Our finance costs increased by approximately RMB0.45 million from approximately RMB0.03 million in FYE 2006 to approximately RMB0.48 million in FYE 2007 mainly due to full year interest charges on the borrowings in FYE 2007 as compared to FYE 2006 as the borrowings were drawdown in the second half of FYE 2006. We did not take up any additional bank borrowings in FYE 2007.

8. FINANCIAL INFORMATION (CONT'D)

FYE 2008 vs FYE 2007

We did not take up any additional bank borrowings in FYE 2008 and accordingly, there were no material change in our finance costs in FYE 2008 as compared to FYE 2007.

FYE 2009 vs FYE 2008

Our finance costs decreased by approximately RMB0.30 million from approximately RMB0.56 million in FYE 2008 to approximately RMB0.26 million in FYE 2009 mainly due to full settlement of all of our bank borrowings amounting to RMB10.00 million in FYE 2009.

FPE 2010 vs FPE 2009

Our finance costs increased by approximately RMB0.32 million from approximately RMB0.05 million in FPE 2009 to approximately RMB0.37 million in FPE 2010 mainly due to recognition of interest on fair value for borrowings from shareholders.

(viii) PBT

Our commentaries on our Group's PBT are as follows:-

FYE 2007 vs FYE 2006

We recorded a PBT of approximately RMB65.32 million in FYE 2007, representing an increase of approximately RMB40.67 million or approximately 164.99% from approximately RMB24.65 million in FYE 2006. The increase in PBT is in line with our increase in revenue and improvement in GP. The increase translates to an increase of approximately 10.37% in our PBT margin from approximately 19.51% in FYE 2006 to approximately 29.88% in FYE 2007.

FYE 2008 vs FYE 2007

Our PBT increased by approximately RMB61.18 million or approximately 93.66% from approximately RMB65.32 million in FYE 2007 to approximately RMB126.50 million in FYE 2008 mainly due to the significant increase in our revenue and GP.

FYE 2009 vs FYE 2008

Our PBT increased by approximately RMB79.73 million or approximately 63.03% from approximately RMB126.50 million in FYE 2008 to approximately RMB206.23 million in FYE 2009 in line with the increase in our revenue and GP.

FPE 2010 vs FPE 2009

Our PBT increased by approximately RMB27.05 million or approximately 27.91% from approximately RMB96.92 million in FPE 2009 to RMB123.97 million in FPE 2010 in line with the increase in our revenue and GP.

8. FINANCIAL INFORMATION (CONT'D)

(ix) Taxation

Our wholly-owned PRC subsidiary, Rizhao Hengbao, is subjected to the Income Tax Law of the PRC. The applicable income tax rate was 33% in FYE 2006 and FYE 2007, and 25% in FYE 2008, FYE 2009 and FPE 2010. No provision was made for Singapore tax as our Company did not record any assessable profits which will be subjected to Singapore tax for the financial years and periods under review.

Our commentaries on our Group's taxation are as follows:-

FYE 2007 vs FYE 2006

Our taxation expense increased by approximately RMB14.15 million or approximately 155.15% from approximately RMB9.12 million in FYE 2006 to approximately RMB23.27 million in FYE 2007 in line with our increase in our PBT.

FYE 2008 vs FYE 2007

Our taxation expense increased by approximately RMB8.32 million or approximately 35.75% from approximately RMB23.27 million in FYE 2007 to approximately RMB31.59 million in FYE 2008 in line with the increase in our PBT.

FYE 2009 vs FYE 2008

Our taxation expense increased by approximately RMB21.01 million or approximately 66.51% from approximately RMB31.59 million in FYE 2008 to approximately RMB52.60 million in FYE 2009 mainly due to the increase in our PBT.

FPE 2010 vs FPE 2009

Our taxation expense increased by approximately RMB6.66 million or approximately 27.04% from approximately RMB24.63 million in FPE 2009 to approximately RMB31.29 million in FPE 2010 mainly due to the increase in our PBT.

(x) PAT

Our commentaries on our Group's PAT are as follows:-

FYE 2007 vs FYE 2006

Our PAT increased by approximately RMB26.51 million or approximately 170.59% from approximately RMB15.54 million in FYE 2006 to approximately RMB42.05 million in FYE 2007 in line with the increase in our PBT.

FYE 2008 vs FYE 2007

Our PAT increased by approximately RMB52.86 million or approximately 125.71% from approximately RMB42.05 million in FYE 2007 to approximately RMB94.91 million in FYE 2008. The increase in PAT was mainly due to the increase in our PBT.

8. FINANCIAL INFORMATION (CONT'D)

FYE 2009 vs FYE 2008

Our PAT increased by approximately RMB58.72 million or approximately 61.87% from approximately RMB94.91 million in FYE 2008 to approximately RMB153.63 million in FYE 2009 in line with the increase in our PBT.

FPE 2010 vs FPE 2009

Our PAT increased by approximately RMB20.40 million or approximately 28.22% from approximately RMB72.29 million in FPE 2009 to approximately RMB92.69 million in FPE 2010 in line with the increase in our PBT.

8.3.2 Factors and Trends Affecting Future Financial Conditions and Results

After taking into consideration the risk factors relating to our business and industry, and our ability to mitigate such risk factors as set out in Section 3 of this Prospectus, we are of the opinion that our future financial conditions and results are favourable.

This is due to the gradual continuous shift in food consumption pattern towards RTS Food as the global society becomes increasingly time poor. As set out in Section 4.20.5 of this Prospectus, in China, rapid urbanisation is governing its population's shift towards busier lifestyles and hence more convenient meals. This shift presents China's RTS Food Industry with many exciting growth opportunities. Additionally, the ready popularity of RTS Food in more mature global markets such as Japan is likely to create sustained demand for China's RTS Food exports.

Our competitive strengths and advantages as set out in Section 4.6 of this Prospectus provide the foundation for the sustainability of our business and financial growth. Our future plans and strategies as set out in Section 4.21 of this Prospectus will further contribute to sustainable growth for our business.

8.3.3 Significant Factors Affecting Profits

(i) Demand and Supply Conditions

Our Group's revenue and profit are dependent on the demand of our products and supply of our raw materials. The demand and supply condition for the RTS Food Industry is set out in the Executive Summary of the Independent Market Research Report set out in Section 10 of this Prospectus.

(ii) Fluctuation in Prices of Raw Materials

Our Group relies on the continuous supply of raw materials such as poultry, meat and vegetables at reasonable prices. Hence, any significant changes to the supply and price of raw materials may adversely affect our Group's operations and profitability.

With the close working relationship with our Group's suppliers, our Board is of the opinion that our Group will be able to continually source raw materials at competitive prices. Further, our Group has the flexibility to engage other suppliers should the need arise.

8. FINANCIAL INFORMATION (CONT'D)

(iii) Changes in Regulatory, Political and Economic Conditions

Our Group will be affected should there be any form of regulatory, political, fiscal and economic changes in China such as the changes in interest rate, changes in duties, tax laws or rates as well as any adverse effects in political influences. As there is no assurance that we will be able to comply with all of these changes, should they occur, especially those which may be newly introduced by the relevant authorities, this may cause our business and financial performance to be affected.

8.3.4 Impact of Foreign Exchange/ Interest Rates/ Commodity Prices

Since FYE 2008 up to LPD, more than 90% of our Group's revenue and all of our cost of sales were transacted in RMB and we expect this trend to continue in the foreseeable future. As such, our Directors are of the opinion that our exposure to foreign exchange is not material. Accordingly, at this juncture, we do not require any hedging policies nor have we entered into any forward contracts with respect to our foreign exchange exposure. Our Directors believe that it is more efficient for us to assess each transaction individually on the need to hedge our foreign exchange exposures. We will continue to monitor our foreign exchange exposure in the future and will consider hedging any material foreign exchange exposure should the need arise.

Rizhao Hengbao enters into three (3) years contract with certain of its local customers where the customers will specify, for the current calendar year, the types of products they are interested in, the forecasted order quantities and the unit prices. Due to the fact that our selling prices are negotiated and determined on a case-by-case basis, we have been able to pass on any prolonged material fluctuation in commodity prices to our customers. Thus, we believe that we are not materially affected by fluctuation in commodity prices.

As at LPD, our Group does not have any outstanding interest-bearing borrowings. As such, we are not subject to the fluctuation in interest rates. Nonetheless, we may secure new borrowings should the need arise and the interest rates should not be higher than the market range.

8.3.5 Impact of Inflation

There was no material impact of inflation on our Group's historical financial results for the past four (4) FYE 2006 to FYE 2009 and FPE 2009 and FPE 2010.

8.3.6 Exceptional and Extraordinary Items

There were no exceptional and extraordinary items for the past four (4) FYE 2006 to FYE 2009 and FPE 2009 and FPE 2010.

8. FINANCIAL INFORMATION (CONT'D)

8.3.7 Government/ Economic/ Fiscal/ Monetary Policies

Risks relating to government, economic, fiscal or monetary policies or factors which may materially affect our operations are as set out in Section 3 of this Prospectus.

There is no material impact of government, economic, fiscal or monetary policies or factors on our historical profits for the past four (4) FYE 2006 to FYE 2009 and FPE 2009 and FPE 2010.

8.4 LIQUIDITY AND CAPITAL RESOURCES

8.4.1 Working Capital

For the financial years and periods under review, i.e. FYE 2006 to FYE 2009 and FPE 2009 and FPE 2010, we financed the growth of our business and our business activities mainly from cash generated from our operations, share capital, credit from suppliers and shareholders' advances, as well as bank borrowings.

Our net current assets comprise mainly inventories, trade and other receivables and cash and cash equivalents. As at 30 June 2010, we have cash and cash equivalents of approximately RMB372.63 million (equivalent to approximately RM177.82 million). Our average inventory holding period were 51 days, 45 days, 11 days, 4 days, 4 days and 6 days in FYE 2006, FYE 2007, FYE 2008, FYE 2009, FPE 2009 and FPE 2010 respectively. Our average trade receivables turnover period in FYE 2006, FYE 2007, FYE 2008, FYE 2009, FPE 2009 and FPE 2010 were 22 days, 30 days, 32 days, 24 days, 34 days and 27 days respectively.

Based on our past financial performance as well as our future prospects and after taking into account of the net proceeds from the issue of the Public Issue Shares, our Directors are of the opinion that our Group will have sufficient working capital for a period of twelve (12) months from the date of this Prospectus.

8.4.2 Cash Flows

A summary of our Group's statement of cash flows for FPE 2010 based on the audited combined statement of cash flows of Sozo for FPE 2010 is as follows:-

	FPE 2010	
	RMB'000	RM'000
Net cash generated from operating activities	84,161	40,753
Net cash used in investing activities	(2,482)	(1,199)
Net cash generated from financing activities	-	-
Net increase in cash and cash equivalents	81,679	39,554
Cash and cash equivalents at beginning of the financial period	290,952	146,029
Effect of exchange translation	-	(7,763)
Cash and cash equivalents at end of the financial period	372,631	177,820

8. FINANCIAL INFORMATION (CONT'D)

A significant portion of our cash and cash equivalents are held in RMB while the rest are held in RM and SGD. For further information on the legal and financial restrictions on the ability of our subsidiary to transfer funds to Sozo in the form of cash dividends, loans or advances, please refer to Appendix III of this Prospectus. Subject to the above and the compliance with the legal requirements set out in Appendix III of this Prospectus, our Directors are of the opinion that there are no economic restrictions on the ability of our subsidiary to transfer funds to Sozo in the form of cash dividends, loans or advances and we can reasonably meet our cash obligations.

Net cash generated from operating activities

For FPE 2010, we generated a net cash inflow from operating activities of approximately RMB84.16 million (approximately RM40.75 million) mainly due to PBT of approximately RMB123.97 million (approximately RM59.86 million) adjusted for non-cash items comprising mainly exchange differences arising from translation, fair value adjustment, depreciation, amortisation and interest expense and income which in aggregate amounted to approximately RMB4.19 million (approximately RM2.02 million).

The increase in working capital was due to cash outflows arising from an increase of approximately RMB54.15 million (approximately RM25.84 million) and approximately RMB3.74 million (approximately RM1.78 million) in receivables and inventories respectively, offset by cash inflow arising from an increase in payables of approximately RMB38.19 million (approximately RM18.22 million). This is in line with the growth of our revenue. Our Group paid income tax of approximately RMB24.77 million (approximately RM11.96 million) for the FPE 2010.

Net cash used in investing activities

For FPE 2010, net cash used in investing activities amounted to approximately RMB2.48 million (approximately RM1.20 million) mainly due to the progress payments made for the construction of waste water treatment plant in our second production plant of approximately RMB0.76 million (approximately RM0.37 million) and purchase of property, plant and equipment of approximately RMB1.72 million (approximately RM0.83 million).

Net cash generated from financing activities

For FPE 2010, we do not have any net cash generated from or used in financing activities.

8.4.3 Borrowings

As at LPD, the total outstanding borrowings of our Group in the form of loan from shareholders amounted to approximately RMB12.79 million (approximately RM6.10 million). All the outstanding borrowings of our Group are non-interest bearing. Our Group does not have any outstanding interest-bearing borrowings.

8. FINANCIAL INFORMATION (CONT'D)

Our Group's borrowings can be analysed further as follows:-

Borrowings	RMB'000	RM'000
Long-term borrowings		
▪ Loan from shareholders	^(a) 12,789	6,103
Short-term borrowings	-	-
Total Borrowings	12,789	6,103
Gearing ratio (times) ^(b)		0.03

Notes:-

- (a) After incorporating the fair value adjustment made on the loan from shareholders amounting to RMB21.80 million as disclosed in Section 7.1.1 of this Prospectus.
- (b) Computed based on our total outstanding borrowings divided by our proforma shareholders' equity as at 30 June 2010 after adjusted for the Subdivision and Conversion of approximately RMB461.14 million (approximately RM220.05 million).

The loan from shareholders is denominated in RMB.

Our Group has not defaulted on payments of either interest and/or principal sums in respect of any borrowings throughout the past one (1) financial year and the subsequent financial period up to LPD.

8.4.4 Breach of Terms and Conditions/ Covenants Associated with Credit Arrangement/ Bank Loan

To the best of our Directors' knowledge, as at LPD, neither us nor our subsidiary is in breach of any terms and conditions or covenants associated with credit arrangements or bank loans, which can materially affect our financial position and results or business corporations, or the investments by holders of securities in our Company.

8.4.5 Types of Financial Instruments Used

As at FYE 2006 to FYE 2009 and FPE 2009 and FPE 2010, our Group's financial instruments consist mainly of cash and bank balances, trade and other receivables, trade and other payables and borrowings. The abovementioned financial instruments are used in our Group's ordinary course of business.

Our Group does not enter into any sophisticated financial instruments, which is outside our ordinary course of business. While our Group is exposed to fluctuation in foreign exchange rates through the revenue earned and purchases that were transacted in foreign currencies, as at LPD, we do not have nor are we using any financial instruments for hedging purposes.

8.4.6 Treasury Policies and Objectives

We have been financing our operations through a combination of cash generated from operations, share capital, credit from suppliers and shareholders' advances. In addition, our external sources of funds comprise mainly secured short-term bank borrowings.

8. FINANCIAL INFORMATION (CONT'D)

The interest rates for our floating rate bank loans are based on the prevailing base lending rate plus a margin agreed upon by our bankers when the respective term loans were granted while our fixed rate bank loans are based on the market rates prevailing at the dates of the respective transactions.

The principal uses of our cash resources are for the purchase of raw materials and consumables, and to defray other expenses such as staff salaries and allowances, sales and marketing expenses, purchase and upkeep of equipment, transportation and travelling expenses. Our funds were also used to finance capital expenditure and to extend trade credit to our customers.

Our sales and purchases are primarily denominated in RMB and as such, the foreign exchange exposure of our Group is immaterial. Accordingly, we do not have any hedging policies nor have we entered into any forward contracts with respect to our foreign exchange exposure. Our cash and cash equivalents are primarily maintained in RMB while the rest are held in RM and SGD.

8.4.7 Material Commitments

As at LPD, save as disclosed below, our Directors are not aware of any material commitments, which upon becoming enforceable may have a material effect on the financial position of our Group:-

	RMB'000	RM'000
Unpaid capital contribution in Rizhao Hengbao	28,811	13,414

The above commitment will be fulfilled by Sozo upon completion of the Listing. As most of the IPO proceeds will be utilised by Rizhao Hengbao for its operations and related expansions as disclosed in Section 2.6 of this Prospectus, accordingly, the IPO proceeds will be remitted by Sozo to Rizhao Hengbao by way of capital contribution.

8.4.8 Material Litigation/ Arbitration and Contingent Liabilities

(i) Material Litigation/ Arbitration

As at LPD, neither our Company nor our subsidiary is engaged in any material litigation and arbitration, either as plaintiff or defendant, which has a material effect on the financial position of our Company or our subsidiary and our Directors are not aware of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of our Company or our subsidiary.

(ii) Contingent Liabilities

As at LPD, our Directors are not aware of any material contingent liabilities, which upon becoming enforceable may have a material impact on the financial position of our Group.

8. FINANCIAL INFORMATION (CONT'D)

8.4.9 Key Financial Ratios

The key financial ratios of our Group based on our audited combined financial statements for FYE 2006 to FYE 2009 and FPE 2009 and FPE 2010 are as follows:-

	FYE 2006	FYE 2007	FYE 2008	FYE 2009	^(b) FPE 2009	^(b) FPE 2010
Trade receivables turnover period (days) ^(a)						
• Average	22	30	32	24	34	27
• By PRC market	20	35	32	25	35	28
• By overseas market	22	18	29	15	29	19
Trade payables turnover period (days) ^(a)	32	22	39	37	46	26
Inventory turnover period (days) ^(a)	51	45	11	4	4	6

Notes:-

(a) Based on average balance.

(b) Annualised to twelve (12) months for comparison purposes.

8.4.10 Trade Receivables

The ageing analysis of our Group's trade receivables as at FPE 2010 is as follows:-

	Within Credit Period			Exceeded Credit Period >91 days	Total
	0-30 days	31-60 days	61-90 days		
Trade receivables (RMB'000)	85,050	-	1	2	85,053
Trade receivables (RM'000)	40,586	-	*	1	40,587
% of trade receivables	100.00	-	*	*	100.00

Note:-

* Immaterial.

The normal credit period given to our customers ranges from 30 to 60 days and 60 to 90 days for local customers and foreign customers respectively. The credit terms granted to our customers are determined based on the credit worthiness, payment history, transaction volume, financial background, market reputation and the existing relationship that our Group has with the customers.

The turnover period for trade receivables has been consistent throughout the financial years and periods under review.

8. FINANCIAL INFORMATION (CONT'D)

For the last four (4) FYE 2006 to FYE 2009 and FPE 2009 and FPE 2010, our Group did not make any allowance for doubtful debts in our financial statements, nor did we have any bad debts written off.

As at LPD, all of the outstanding trade receivables as at FPE 2010 have been fully collected.

8.4.11 Trade Payables

The ageing analysis of our Group's trade payables as at FPE 2010 is as follows:-

	Within Credit Period		Exceeded Credit Period > 61 days	Total
	0-30 days	31-60 days		
Trade payables (RMB'000)	53,219	-	472	53,691
Trade payables (RM'000)	25,396	-	225	25,621
% of trade payables	99.12	-	0.88	100.00

The normal credit period given by our suppliers ranges from 30 to 60 days.

The turnover period for trade payables is within the credit period granted by our suppliers throughout the financial years and periods under review.

There were no significant matters in dispute with our trade payables for the past four (4) financial years and periods under review and there was no legal action initiated by any one of our suppliers to demand for payment in view of our good relationships with our major suppliers.

8.4.12 Inventories

Raw materials held by our Group mainly comprise poultry and meat, vegetables, fruits and ingredients.

Finished goods mainly consist of RTS Food, frozen vegetables, canned food, VF Snack and asparagus tea products.

The inventories turnover period of our Group has been maintained as low as possible during the recent financial years and periods. Production planning based on sales contracts, coupled with stable supply chain of raw materials due to close working relationship with key suppliers enables lower inventory level to be maintained by our Group for raw materials and finished goods. This has contributed to the low inventories turnover period which stood at 51 days, 45 days, 11 days, 4 days, 4 days and 6 days in FYE 2006, FYE 2007, FYE 2008, FYE 2009, FPE 2009 and FPE 2010 respectively.

The improvement in inventory turnover period of our Group is also contributed by the following:-

- (i) we are able to maintain a low inventory of raw materials as there is rich and abundant supply of raw materials in Shandong Province, PRC;

8. FINANCIAL INFORMATION (CONT'D)

- (ii) upfront planning based on the order book received to ensure effective coordination in terms of the timing of the delivery of raw materials to coincide with the production schedule and at the same time, deliveries to customers as mentioned in (iii) below, thus, enabling us to keep an optimum volume of inventories;
- (iii) an effective planning and stringent tracking of production time to ensure conformity with expected internal standards set (e.g. average production time of finished goods of less than 3 days and finished goods delivery time within 7 to 10 days); and
- (iv) an increase in the installed production capacity has shortened the production time as less downtime incurred due to switching of production facilities to manufacture different products, thus enabling us to deliver the finished goods timely and efficiently.

8.5 TREND INFORMATION

As at LPD, to the best of our Directors' knowledge and belief, our operations have not been and are not expected to be affected by any of the following:-

- (i) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have a material favourable or unfavourable impact on our Group's financial performance, position and operations other than those disclosed in this Section, Section 3 and Section 4 of this Prospectus;
- (ii) material commitments for capital expenditures, save as set out in Section 8.4.7 of this Prospectus;
- (iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group, save as disclosed in this Section and Section 3 of this Prospectus;
- (iv) known trends, demands, commitments, events or uncertainties that have resulted in a material impact on our Group's revenue and/or profits save for those that have been disclosed in this Section, Section 4.20 and Section 4.21 of this Prospectus;
- (v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position other than those disclosed in this Section and Section 3 of this Prospectus; and
- (vi) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's liquidity and capital resources, other than those discussed in this Section, Section 3 and Section 4 of this Prospectus.

Our Board is optimistic about the future prospects of our Group and the outlook of the RTS Foods Industry due to the factor set out in Section 4.20 of this Prospectus, in consideration of our Group's competitive strengths as set out in Section 4.6 of this Prospectus, the factors and trends affecting our future financial conditions and results as set out in Sections 8.3.1, 8.3.2 and 8.3.3 of this Prospectus, and our Group's dedication to implement the future plans and strategies as set out in Section 4.21 of this Prospectus.

8. FINANCIAL INFORMATION (CONT'D)

In general, our customers do not place long-term orders with us other than as mentioned in Section 8.3.4 of this Prospectus in order to provide us with an indication on the types of products they are interested in, forecasted order quantities and unit prices to facilitate our production planning. As such, we do not envisage long term visibility for future order book.

As at LPD, our sales order for the next three (3) months stands at approximately RMB200.0 million. These orders are however subject to cancellation, deferral or rescheduling by our customers. As such, our order book as at any particular date may not be indicative of our revenue for any succeeding period.

8.6 DIVIDEND POLICY

Subject to factors outlined below, our Directors intend to recommend and distribute a dividend of approximately 3 sen for FYE 2010, based on our enlarged issued and paid-up share capital of 468,000,000 Shares.

The abovesaid intention is in line with our Directors' policy to allow our shareholders to participate in the profits of our Group. Our Company will declare dividends, if any, in RM and will make payment of the dividends in RM.

Notwithstanding the above, our ability to pay dividends or make other distributions to our shareholders in FYE 2010 as well as for future years is subject to various factors, such as having profits and excess funds not required to be retained to fund our business. Our Directors will also take into consideration, amongst others, of the following factors when recommending dividends for approval by our shareholders or when declaring any interim dividends:-

- (i) the availability of adequate distributable reserves and cash flows;
- (ii) our operating cash flow requirements and financing commitments;
- (iii) our anticipated future operating conditions, as well as future expansion, capital expenditure and investment plans; and
- (iv) any material impact of tax laws and other regulatory requirements.

Any declaration and payment of dividends in the future will be at the discretion of the Board. There is no assurance on whether the dividend distributions will occur as intended, the amount of dividend payment or timing of such payments.

No inference should or can be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future.

Kindly refer to Section 3 for risks relating to payment of dividends.

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8. FINANCIAL INFORMATION (CONT'D)

8.7 REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA COMBINED FINANCIAL INFORMATION

(Prepared for inclusion in this Prospectus)



UHY (AF1411)
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18 November 2010

The Board of Directors
Sozo Global Limited
Suite 10.03, Level 10
The Gardens South Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur

Dear Sirs,

**SOZO GLOBAL LIMITED ("SOZO" OR "THE COMPANY")
PROFORMA COMBINED FINANCIAL INFORMATION**

We have reviewed the proforma combined financial information of Sozo Global Limited ("Sozo" or "the Company") and its subsidiary company, namely Rizhao Hengbao Foodstuffs Co., Ltd. ("Rizhao Hengbao") (collectively known as "Sozo Group" or "the Group") for the financial years ended 31 December 2006 to 2009 and financial period ended 30 June 2010, together with the notes and assumptions thereto, which we have stamped for the purpose of identification, in connection with the listing and quotation of the entire enlarged issued and paid-up share capital of Sozo on the Main Market of Bursa Malaysia Securities Berhad. The proforma combined financial information has been prepared for illustrative purposes only on the basis of assumptions as set out below and after making certain adjustments to show that:

- (i) the financial results of Sozo Group for the financial years ended 31 December 2006 to 2009 and financial period ended 30 June 2010 would have been if the group structure as of the date of Prospectus had been in place since the beginning of the years being reported on;
- (ii) the financial position of Sozo Group as at 30 June 2010 would have been if the group structure as of the date of Prospectus had been in place on 30 June 2010, adjusted for the Conversion and the Public Issue (as defined herein), and the utilisation of listing proceeds; and
- (iii) the cash flows of Sozo Group for the financial period ended 30 June 2010 would have been if the group structure as of the date of Prospectus had been in place since the beginning of the financial period ended 30 June 2010, adjusted for the Conversion and the Public Issue (as defined herein), and the utilisation of listing proceeds.

8. FINANCIAL INFORMATION (CONT'D)



- 2 -

It is the sole responsibility of the Directors of Sozo Group to prepare the proforma combined financial information in accordance with the requirements of the Prospectus Guidelines - Equity and Debt issued by the Securities Commission. Our responsibility is to form an opinion as required by the Prospectus Guidelines on the proforma combined financial information and our letter is given to you solely for this, and no other purpose.

In providing this opinion, we are not updating or reissuing any reports or opinions previously made by us on any financial information used in the compilation of the proforma combined financial information, nor do we accept responsibility for such reports or opinions beyond that is owed to those to whom those letter or opinions were addressed by us at the date of their issue.

Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the proforma combined financial information to the audited combined statement of financial position, combined statement of comprehensive income, combined statement of changes in equity, combined statement of cash flows, a summary of significant accounting policies and other explanatory notes of Sozo Group ("audited combined financial statements"), considering the evidence supporting the adjustments and discussing the proforma combined financial information with the Directors of Sozo Group.

As the proforma combined financial information has been prepared for illustrative purposes only, such information may not because of its nature, reflect the actual financial position, results and cash flows of Sozo Group. Furthermore, such information does not purport to predict the future financial position, results and cash flows of Sozo Group.

In our opinion,

- (a) the proforma combined financial information has been properly prepared on the basis as set out in the notes thereon based on the audited combined financial statements of Sozo Group which have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and in a manner consistent with both the format of the financial statements and the accounting policies adopted by Sozo Group; and
- (b) each material adjustment made to the information used in the preparation of the proforma combined financial information is appropriate for the purposes of preparing the proforma combined financial information.

8. FINANCIAL INFORMATION (CONT'D)

UHY

- 3 -

This letter has been prepared solely for the purpose stated above, in connection with the listing of and quotation for the entire issued and paid-up share capital of Sozo on the Main Market of Bursa Malaysia Securities Berhad. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully,



UHY
Firm Number : AF1411
Chartered Accountants



TEE GUAN PIAN
Approved Number: 1886/05/12 (J/PH)
Chartered Accountant

8. FINANCIAL INFORMATION (CONT'D)

SOZO GLOBAL LIMITED

PROFORMA COMBINED FINANCIAL INFORMATION

1. PROFORMA GROUP AND BASIS OF PREPARATION

- 1.1 The proforma combined financial information of Sozo and its subsidiary is presented for illustrative purposes only and has been prepared based on the audited combined financial statements of Sozo Group for the financial years ended (“FYE”) 31 December 2006 to 2009 and financial period ended (“FPE”) 30 June 2010 using the basis and the accounting principles consistent with those adopted in the audited combined financial statements, after giving effect to the proforma adjustments which is considered appropriate.
- 1.2 The audited combined financial statements for the FYE 31 December 2006 to 2009 and FPE 30 June 2010 have been prepared in accordance with IFRS and in a manner consistent with both the format of the financial statements and the accounting policies of Sozo Group.
- 1.3 The proforma combined financial information of Sozo Group comprises the following:-
- (a) Section 2 – Proforma combined statement of comprehensive income of Sozo Group for FYE 31 December 2006 to 2009 and FPE 30 June 2010 on the assumption that Sozo Group structure as of the date of Prospectus had been in place throughout the financial years being under review;
 - (b) Section 3 - Proforma combined statement of financial position of Sozo Group as at 30 June 2010 on the assumption that Sozo Group structure as of the date of Prospectus had been in place on 30 June 2010, adjusted for the Conversion and the Public Issue (as defined herein), and the utilisation of listing proceeds;
 - (c) Section 4 – Proforma combined statement of assets and liabilities of Sozo Group as at 30 June 2010 on the assumption that Sozo Group structure as of the date of Prospectus had been in place on 30 June 2010, adjusted for the Conversion and the Public Issue (as defined herein), and the utilisation of listing proceeds;
 - (d) Section 5 – Proforma combined statements of cash flow of Sozo Group for the FPE 30 June 2010 on the assumption that Sozo Group structure as of the date of Prospectus had been in place throughout the FPE 30 June 2010, adjusted for the Conversion and the Public Issue (as defined herein) and the utilisation of listing proceeds.
- 1.4 The financial information of Sozo Group is measured using the currency of primary economic environment in which the Group operates. The functional currency of the Group is The People’s Republic of China (“PRC”) Renminbi (“RMB”).



8. FINANCIAL INFORMATION (CONT'D)

SOZO GLOBAL LIMITED

1. PROFORMA GROUP AND BASIS OF PREPARATION (Cont'd)

The proforma combined financial statements of Sozo Group were presented in RMB. In preparing this report, we have converted all figures stated in RMB to Ringgit Malaysia ("RM") for information purposes.

The exchange rates used for the purpose of this report as extracted from Bank Negara Malaysia are as follows:-

FYE / As at	RMB	Average rate		Closing rate
			RM	RM
31 December 2006	1.00	:	0.4597	0.4511
31 December 2007	1.00	:	0.4518	0.4534
31 December 2008	1.00	:	0.4819	0.5084
31 December 2009	1.00	:	0.5157	0.5019
30 June 2009	1.00	:	0.5252	0.5151
30 June 2010	1.00	:	0.4829	0.4772

1.5 The proforma combined financial information together with the accompanying notes thereto, have been prepared solely for illustration purposes, to show the effects of the following listing schemes had been implemented and completed on 30 June 2010:-

(a) Subdivision

The Company undertook a subdivision of 3,000,000 ordinary shares in the capital of Sozo ("Shares") into 300,000,000 Shares on the basis that every one (1) Share be divided into one hundred (100) Shares ("Subdivision"). The Subdivision was completed on 3 February 2010.

(b) Conversion of Convertible Loans ("Convertible Loans") and Redeemable Cumulative and Convertible Preference Shares Series A in Sozo ("RCCPS") into New Shares in Sozo ("Conversion")

Conversion of the Convertible Loans and RCCPS into 112,620,000 new Shares. The new Shares issued pursuant to the Conversion shall, upon allotment and issued as fully paid Shares, rank *pari passu* in all respects with the existing Shares of Sozo, except that the new Shares will not be entitled to any dividends, rights, allotments or other distributions declared, made or paid prior to the date of allotment thereof.

The Conversion was completed on 8 September 2010. The Conversion has resulted in the issued and paid-up share capital of Sozo being increased from SGD30,000 comprising 300,000,000 Shares to SGD15,392,015 comprising 412,620,000 Shares.

(c) Transfer

Following the Subdivision and Conversion, Hengbao Foodstuffs Holding Limited, the Promoter and substantial shareholder of Sozo has transferred a portion of its shareholding comprising 32,789,000 Shares to eight (8) shareholders.



8. FINANCIAL INFORMATION (CONT'D)

SOZO GLOBAL LIMITED

1. PROFORMA GROUP AND BASIS OF PREPARATION (Cont'd)

(d) Public Issue

The public issue of 55,380,000 new Shares (representing 11.83% of the enlarged issued and paid-up capital) at the issue price of RM0.80 ("Public Issue") will be allocated and allotted in the following manner:-

	No. of Shares
(i) Public Issue Shares made available for application by the Malaysian public	24,495,000
(ii) Public Issue Shares made available by way of private placement to selected investors	30,885,000

(e) Offer for Sale

The offer for sale of 19,115,000 Shares by way of private placement to selected investors ("Offer for Sale").

(f) Listing

The listing of and quotation for the entire enlarged issued and paid-up share capital of Sozo comprising 468,000,000 Shares on the Main Market of Bursa Malaysia Securities Berhad.



8. FINANCIAL INFORMATION (CONT'D)

SOZO GLOBAL LIMITED

2. PROFORMA COMBINED STATEMENT OF COMPREHENSIVE INCOME OF SOZO GROUP

The proforma combined statement of comprehensive income of Sozo Group for the past four (4) FYE 31 December 2006 to 2009 and FPE 30 June 2010 are provided for illustrative purposes only and extracted from the audited combined financial statements of Sozo Group assuming that Sozo Group has been in place throughout the financial years/ period under review.

FYE/ FPE	31/12/2006		31/12/2007		31/12/2008		31/12/2009		@ 30/06/2009		30/06/2010	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Revenue	126,335	58,076	218,615	98,770	415,126	200,050	608,775	313,945	284,625	149,485	392,554	189,564
Cost of sales	(98,164)	(45,126)	(143,847)	(64,990)	(282,304)	(136,043)	(394,446)	(203,416)	(184,560)	(96,931)	(263,118)	(127,060)
Gross profit	28,171	12,950	74,768	33,780	132,822	64,007	214,329	110,529	100,065	52,554	129,436	62,504
Other operating income	248	114	2,249	1,016	886	427	1,801	929	1,020	536	1,821	879
Selling and distribution expenses	(727)	(334)	(917)	(414)	(749)	(361)	(1,412)	(728)	(992)	(521)	(725)	(350)
General and administrative expenses	(1,336)	(614)	(3,100)	(1,401)	(5,902)	(2,844)	(7,588)	(3,913)	(3,078)	(1,617)	(3,534)	(1,707)
Other operating expenses	(1,673)	(769)	(7,206)	(3,256)	(2)	(1)	(637)	(329)	(39)	(20)	(2,659)	(1,284)
Finance costs	(32)	(15)	(475)	(215)	(558)	(269)	(260)	(134)	(54)	(28)	(369)	(178)
Profit before taxation	24,651	11,332	65,319	29,510	126,497	60,959	206,233	106,354	96,922	50,904	123,970	59,864
Taxation	(9,116)	(4,191)	(23,270)	(10,513)	(31,587)	(15,222)	(52,601)	(27,126)	(24,632)	(12,937)	(31,285)	(15,108)
Profit after taxation	15,535	7,141	42,049	18,997	94,910	45,737	153,632	79,228	72,290	37,967	92,685	44,756
Fair value adjustment	-	-	-	-	-	-	8,237	4,248	-	-	-	-
Total comprehensive income	15,535	7,141	42,049	18,997	94,910	45,737	161,869	83,476	72,290	37,967	92,685	44,756
Gross profit margin (%)	22.30	22.30	34.20	34.20	32.00	32.00	35.21	35.21	35.16	35.16	32.97	32.97
Pre-tax profit margin (%)	19.51	19.51	29.88	29.88	30.47	30.47	33.88	33.88	34.05	34.05	31.58	31.58
Effective tax rate (%)	36.98	36.98	35.63	35.63	24.97	24.97	25.51	25.51	25.40	25.40	25.24	25.24
Gross earnings per Share ("EPS") (RMB Cents/Sen)*	5.97	2.75	15.83	7.15	30.66	14.77	49.98	25.78	^46.98	^24.67	^60.09	^29.02
Net EPS (RMB Cents/Sen) *	3.76	1.73	10.19	4.60	23.00	11.08	37.23	19.20	^35.04	^18.40	^44.93	^21.69

Notes:-

* Based on the share capital of 412,620,000 Shares after the Subdivision and Conversion.

^ Annualised to twelve (12) months for comparison purposes.

@ The combined statement of comprehensive income for the FPE 30 June 2009 is included for comparison purpose only.



8. FINANCIAL INFORMATION (CONT'D)

SOZO GLOBAL LIMITED

3. PROFORMA COMBINED STATEMENT OF FINANCIAL POSITION OF SOZO GROUP AS AT 30 JUNE 2010

The proforma combined statement of financial position of Sozo Group as at 30 June 2010 as set out below are provided for illustrative purposes only and after making such adjustments as considered necessary and assuming that Sozo Group has been in place as at 30 June 2010.

	As at 30/06/2010		Proforma I		Proforma II	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Non-Current Assets						
Property, plant and equipment	57,920	27,639	57,920	27,639	120,787	57,639
Construction in progress	7,237	3,453	7,237	3,453	7,237	3,453
Intangible assets	14,011	6,686	14,011	6,686	14,011	6,686
	<u>79,168</u>	<u>37,778</u>	<u>79,168</u>	<u>37,778</u>	<u>142,035</u>	<u>67,778</u>
Current Assets						
Inventories	10,253	4,893	10,253	4,893	10,253	4,893
Trade receivables	85,053	40,587	85,053	40,587	85,053	40,587
Other receivables	16,568	7,906	16,568	7,906	2,292	1,094
Cash and cash equivalents	372,631	177,820	372,631	177,820	395,926	188,936
	<u>484,505</u>	<u>231,206</u>	<u>484,505</u>	<u>231,206</u>	<u>493,524</u>	<u>235,510</u>
Total Assets	<u>563,673</u>	<u>268,984</u>	<u>563,673</u>	<u>268,984</u>	<u>635,559</u>	<u>303,288</u>
Capital and Reserves						
Share capital	152	68	77,683	37,066	149,569	71,370
Reserves	48,637	23,686	48,637	23,686	48,637	23,686
Retained earnings	334,817	165,682	334,817	165,682	334,817	165,682
Translation reserves	-	(6,380)	-	(6,380)	-	(6,380)
Total Equity	<u>383,606</u>	<u>183,056</u>	<u>461,137</u>	<u>220,054</u>	<u>533,023</u>	<u>254,358</u>
Non-Current Liabilities						
Borrowings	12,789	6,103	12,789	6,103	12,789	6,103
Current Liabilities						
Trade payables	53,691	25,621	53,691	25,621	53,691	25,621
Other payables	17,763	8,477	17,763	8,477	17,763	8,477
Income tax liabilities	18,293	8,729	18,293	8,729	18,293	8,729
Borrowings	77,531	36,998	-	-	-	-
	<u>167,278</u>	<u>79,825</u>	<u>89,747</u>	<u>42,827</u>	<u>89,747</u>	<u>42,827</u>
Total Liabilities	<u>180,067</u>	<u>85,928</u>	<u>102,536</u>	<u>48,930</u>	<u>102,536</u>	<u>48,930</u>
Total Equity and Liabilities	<u>563,673</u>	<u>268,984</u>	<u>563,673</u>	<u>268,984</u>	<u>635,559</u>	<u>303,288</u>
No. of Shares in issue ('000)	300,000	300,000	412,620	412,620	468,000	468,000
Net Assets ("NA")	383,606	183,056	461,137	220,054	533,023	254,358
NA per Share (RMB/RM)	1.28	0.61	1.12	0.53	1.14	0.54
Net Tangible Assets ("NTA")	369,595	176,370	447,126	213,368	519,012	247,672
NTA per Share (RMB/RM)	1.23	0.59	1.08	0.52	1.11	0.53



8. FINANCIAL INFORMATION (CONT'D)

SOZO GLOBAL LIMITED

3. PROFORMA COMBINED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010 (Cont'd)

NOTES TO PROFORMA COMBINED STATEMENT OF FINANCIAL POSITION

3.1 Proforma I: Conversion

Proforma I is stated after incorporation of the Conversion as set out in Sections 1.5(a) and (b) of this report.

Pursuant to the Conversion, the Convertible Loans and RCCPS are converted into the following number of new Shares in Sozo-

	No. of Shares
Conversion of Convertible Loans	63,814,460
Conversion of RCCPS	48,805,540
	112,620,000

3.2 Proforma II: Public Issue, Offer for Sale and Utilisation of Listing Proceeds

Proforma II is stated after Proforma I and after the incorporation of the Public Issue, Offer for Sale and listing scheme as set out in Sections 1.5(d), (e) and (f) of this report respectively, and the following:-

The gross proceeds arising from the Public Issue amounting to RM44,304,000 are expected to be utilised by Sozo Group in the following manner:-

	RM'000
Proceeds from the Public Issue	44,304
Utilisation of Listing Proceeds	
(a) Setting up of a modern poultry farming and breeding facilities	5,000
(b) Setting up of a modern poultry processing facilities	5,000
(c) Setting up of a third production plant and corporate headquarter building in PRC	15,000
(d) Construction of Halal food processing facilities in Malaysia	5,000
(e) Working capital	4,304
(f) Estimated listing expenses *	10,000
Total	44,304

Note:-

* The estimated listing expenses of RM10.00 million will be set off against the share capital.



8. FINANCIAL INFORMATION (CONT'D)

SOZO GLOBAL LIMITED

3. PROFORMA COMBINED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010 (Cont'd)

NOTES TO PROFORMA COMBINED STATEMENT OF FINANCIAL POSITION (Cont'd)

3.3 The movements in the share capital of Sozo are as follows:-

	RMB'000	RM'000
As at 30 June 2010	152	68
Conversion	77,531	36,998
As per Proforma I	77,683	37,066
Public Issue	92,842	44,304
Utilisation of listing proceeds – listing expenses	(20,956)	(10,000)
As per Proforma II	149,569	71,370

3.4 The movements of the property, plant and equipment are as follows:-

	RMB'000	RM'000
As at 30 June 2010/ As per Proforma I	57,920	27,639
Utilisation of listing proceeds – Expansion plan (Note 4.1)	62,867	30,000
As per Proforma II	120,787	57,639

3.5 The movements of the cash and cash equivalents are as follows:-

	RMB'000	RM'000
As at 30 June 2010/ As per Proforma I	372,631	177,820
Proceeds from Public Issue	92,842	44,304
	456,473	222,124
Utilisation of listing proceeds		
– Expansion plan (Note 4.1)	(62,867)	(30,000)
– Net payment of listing expenses*	(6,680)	(3,188)
	(69,547)	(33,188)
As per Proforma II	395,926	188,936

Note:-

* Based on the total estimated listing expenses of RMB20.96 million (RM10.00 million) and after deducting the prepaid listing expenses of approximately RMB14.28 million (equivalent to approximately RM6.81 million).



8. FINANCIAL INFORMATION (CONT'D)

SOZO GLOBAL LIMITED

4. PROFORMA COMBINED STATEMENT OF ASSETS AND LIABILITIES OF SOZO GROUP AS AT 30 JUNE 2010

The proforma combined statement of assets and liabilities of Sozo Group as at 30 June 2010 is prepared for illustrative purpose only and extracted from the audited combined financial statements of Sozo Group after making such adjustments considered necessary and assuming that the Listing had been completed on that date. The proforma combined statement of assets and liabilities should be read in conjunction with the notes thereon.

	Notes	RMB'000	RM'000
Non-Current Assets			
Property, plant and equipment	4.1	120,787	57,639
Construction in progress	4.2	7,237	3,453
Intangible assets	4.3	14,011	6,686
		<u>142,035</u>	<u>67,778</u>
Current Assets			
Inventories	4.4	10,253	4,893
Receivables	4.5	87,345	41,681
Cash and cash equivalents	4.6	395,926	188,936
		<u>493,524</u>	<u>235,510</u>
Total Assets		<u>635,559</u>	<u>303,288</u>
Capital and Reserves			
Share capital	4.7	149,569	71,370
Reserves	4.8	48,637	23,686
Retained earnings		334,817	165,682
Translation reserves		-	(6,380)
Total Equity		<u>533,023</u>	<u>254,358</u>
Non-Current Liabilities			
Borrowings	4.9	12,789	6,103
Current Liabilities			
Payables	4.10	71,454	34,098
Income tax liabilities		18,293	8,729
		<u>89,747</u>	<u>42,827</u>
Total Liabilities		102,536	48,930
Total Equity and Liabilities		<u>635,559</u>	<u>303,288</u>



8. FINANCIAL INFORMATION (CONT'D)

SOZO GLOBAL LIMITED

4. PROFORMA COMBINED STATEMENT OF ASSETS AND LIABILITIES OF SOZO GROUP AS AT 30 JUNE 2010 (Cont'd)

NOTES TO THE PROFORMA COMBINED STATEMENT OF ASSETS AND LIABILITIES OF SOZO GROUP AS AT 30 JUNE 2010

4.1 Property, Plant and Equipment

	RMB'000	RM'000
Net carrying amount		
Leasehold buildings and infrastructure	44,984	21,467
Plant and machinery	11,163	5,327
Furniture, fittings and equipments	267	128
Motor vehicles	1,506	717
As at 30 June 2010	57,920	27,639
Additions: -		
Utilisation of listing proceeds – Expansion plan		
- Setting up of a modern poultry farming and breeding facilities	10,478	5,000
- Setting up of a modern poultry processing facilities	10,478	5,000
- Setting up of a third production plant and corporate headquarter building in PRC	31,433	15,000
- Construction of Halal food processing facilities in Malaysia	10,478	5,000
	62,867	30,000
Proforma as at 30 June 2010	120,787	57,639

4.2 Construction in Progress

This represents the construction of a waste water treatment plant which is expected to be completed by end of 2010.



8. FINANCIAL INFORMATION (CONT'D)

SOZO GLOBAL LIMITED

4. PROFORMA COMBINED STATEMENT OF ASSETS AND LIABILITIES OF SOZO GROUP AS AT 30 JUNE 2010 (Cont'd)

NOTES TO THE PROFORMA COMBINED STATEMENT OF ASSETS AND LIABILITIES OF SOZO GROUP AS AT 30 JUNE 2010 (Cont'd)

4.3 Intangible Assets

	RMB'000	RM'000
Cost		
Land use rights	15,230	7,645
Computer software	13	6
	<u>15,243</u>	<u>7,651</u>
Accumulated Amortisation		
Land use rights	1,222	583
Computer software	10	5
	<u>1,232</u>	<u>588</u>
Net carrying amount		
Land use rights	14,008	7,062
Computer software	3	1
Exchange fluctuation difference	-	(377)
	<u>14,011</u>	<u>6,686</u>

4.4 Inventories

	RMB'000	RM'000
Raw materials	2,411	1,151
Finished goods	7,842	3,742
	<u>10,253</u>	<u>4,893</u>

4.5 Receivables

	RMB'000	RM'000
Trade receivables	85,053	40,587
Other receivables *	2,292	1,094
	<u>87,345</u>	<u>41,681</u>

* Included in other receivables is the capitalised listing expenses of approximately RMB14.28 million (equivalent to approximately RM6.81 million) and this amount has been set off against share capital upon completion of the Listing.



8. FINANCIAL INFORMATION (CONT'D)

SOZO GLOBAL LIMITED

4. PROFORMA COMBINED STATEMENT OF ASSETS AND LIABILITIES OF SOZO GROUP AS AT 30 JUNE 2010 (Cont'd)

NOTES TO THE PROFORMA COMBINED STATEMENT OF ASSETS AND LIABILITIES OF SOZO GROUP AS AT 30 JUNE 2010 (Cont'd)

4.6 Cash and Cash Equivalents

	RMB'000	RM'000
Cash at bank	395,926	188,936

4.7 Share Capital

	Amount of Share Capital	
	RMB'000	RM'000
Issued and paid-up:-		
As at 30 June 2010	152	68
Conversion	77,531	36,998
Public Issue	92,842	44,304
	<u>170,525</u>	<u>81,370</u>
Less:		
Listing expenses	(20,956)	(10,000)
	<u>149,569</u>	<u>71,370</u>

4.8 Reserves

	RMB'000	RM'000
Statutory reserves	40,400	19,552
Fair value adjustment reserves	8,237	4,134
	<u>48,637</u>	<u>23,686</u>

In accordance with the Foreign Enterprise Law applicable to the subsidiary in the 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.



8. FINANCIAL INFORMATION (CONT'D)

SOZO GLOBAL LIMITED

4. PROFORMA COMBINED STATEMENT OF ASSETS AND LIABILITIES OF SOZO GROUP AS AT 30 JUNE 2010 (Cont'd)

NOTES TO THE PROFORMA COMBINED STATEMENT OF ASSETS AND LIABILITIES OF SOZO GROUP AS AT 30 JUNE 2010 (Cont'd)

4.9 Borrowings

	RMB'000	RM'000
Loan from shareholders	<u>12,789</u>	<u>6,103</u>

The loan from shareholders is unsecured and interest free. The tenure of the loan is ten (10) years and will be automatically renewable for another ten (10) years period upon expiry unless the Directors of the Company decide that the loan is no longer required.

4.10 Payables

	RMB'000	RM'000
Trade payables	53,691	25,621
Other payables	10,737	5,124
Accruals	6,899	3,292
Advances from customers	127	61
	<u>71,454</u>	<u>34,098</u>

4.11 PROFORMA NTA AND NA PER SHARE

Based on the proforma combined statement of assets and liabilities of Sozo Group as at 30 June 2010, the proforma NTA and NA per Share is calculated as follows:

	Proforma Group	
	RMB'000	RM'000
Proforma NTA as per proforma combined statement of assets and liabilities	519,012	247,672
Proforma NA as per proforma combined statement of assets and liabilities	533,023	254,358
Total number of Shares to be issued ('000)	468,000	468,000
Proforma NTA per Share (RMB/RM)	1.11	0.53
Proforma NA per Share (RMB/RM)	1.14	0.54



8. FINANCIAL INFORMATION (CONT'D)

SOZO GLOBAL LIMITED

5. PROFORMA COMBINED STATEMENTS OF CASH FLOW OF SOZO GROUP FOR FPE 30 JUNE 2010

The proforma combined statements of cash flow of Sozo Group for FPE 30 June 2010 is prepared for illustrative purpose based on the audited combined financial statements of Sozo Group for FPE 30 June 2010 assuming that Sozo Group has been in place throughout the financial period under review.

	RMB'000	RM'000
Cash flows from operating activities		
Profit before taxation	123,970	59,864
Adjustments for:		
Depreciation of property, plant and equipment	2,170	1,048
Amortisation	163	79
Unrealised loss on exchange difference	3,305	1,596
Interest expense	369	178
Gain on fair value adjustment of borrowings	(1,349)	(651)
Interest income	(470)	(227)
Operating profit before working capital changes	128,158	61,887
Increase in inventories	(3,739)	(1,784)
Increase in receivables	(39,871)	(19,027)
Increase in payables	38,186	18,222
Cash generated from operations	122,734	59,298
Income tax paid	(24,767)	(11,960)
Interest received	470	227
Net cash generated from operating activities	98,437	47,565
Cash flows from investing activities		
Purchase of property, plant and equipment		
- by working capital	(1,720)	(831)
- by listing proceeds	(62,867)	(30,000)
Payment of construction in progress	(762)	(368)
Net cash used in investing activities	(65,349)	(31,199)
Cash flows from financing activities		
Proceeds from the Public Issue	92,842	44,304
Payment of listing expenses	(20,956)	(10,000)
Net cash generated from financing activities	71,886	34,304
Net increase in cash and cash equivalents	104,974	50,670
Effect of exchange translation	-	(7,763)
Cash and cash equivalents at beginning of the financial period	290,952	146,029
Cash and cash equivalents at the end of the financial period	395,926	188,936

The proforma combined statements of cash flow has been prepared based on accounting principles and basis consistent with those normally adopted in the preparation of the audited combined financial statements of Sozo Group.



9. ACCOUNTANTS' REPORT

(Prepared for inclusion in this Prospectus)



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18 November 2010

The Board of Directors
Sozo Global Limited
Suite 10.03, Level 10
The Gardens South Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur

Dear Sirs,

SOZO GLOBAL LIMITED ("SOZO" OR "THE COMPANY") ACCOUNTANTS' REPORT

1. INTRODUCTION

This report has been prepared by UHY, an approved company auditor and a firm of chartered accountants registered in Malaysia, for inclusion in the Prospectus of Sozo Global Limited ("Sozo" or "the Company") in connection with the listing and quotation of the entire enlarged issued and paid-up share capital of Sozo on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). The details of the listing scheme are disclosed in Section 2 of this report.

2. LISTING SCHEME

In conjunction with, and as an integral part of the listing and quotation of its entire enlarged issued share capital, Sozo has implemented/ will implement the listing scheme comprising the following:

(a) Subdivision

The Company undertook a subdivision of 3,000,000 ordinary shares in the capital of Sozo ("Shares") into 300,000,000 Shares on the basis that every one (1) Share be subdivided into one hundred (100) Shares ("Subdivision"). The Subdivision was completed on 3 February 2010.

(b) Conversion of Convertible Loans ("Convertible Loans") and Redeemable Cumulative and Convertible Preference Shares Series A in Sozo ("RCCPS") into New Shares in Sozo ("Conversion")

The conversion of the Convertible Loans and RCCPS into 112,620,000 new Shares. The new Shares issued pursuant to the Conversion shall, upon allotment and issued as fully paid Shares, rank *pari passu* in all respects with the existing Shares of Sozo, except that the new Shares will not be entitled to any dividends, rights, allotments or other distributions declared, made or paid prior to the date of allotment thereof.

Page 1 of 36

9. ACCOUNTANTS' REPORT (CONT'D)



2. LISTING SCHEME (Cont'd)

(b) Conversion (Cont'd)

The Conversion was completed on 8 September 2010.

The Conversion has resulted in the issued and paid-up share capital of Sozo being increased from SGD30,000 comprising 300,000,000 Shares to SGD15,392,015 comprising 412,620,000 Shares.

(c) Transfer

Following the Subdivision and Conversion, Hengbao Foodstuffs Holding Limited, the Promoter and substantial shareholder of Sozo has transferred a portion of its shareholding comprising 32,789,000 Shares to eight (8) shareholders.

(d) Public Issue

The public issue of 55,380,000 new Shares (representing 11.83% of the enlarged issued and paid-up share capital) at an issue price of RM 0.80 ("Public Issue") will be allocated and allotted in the following manner:

(i) Public Issue Shares made available for application by the Malaysian public	24,495,000
(ii) Public Issue Shares made available by way of private placement to selected investors	30,885,000

(e) Offer for Sale

The Offer for sale of 19,115,000 Shares by way of private placement to selected investors ("Offer for Sale").

(f) Listing

The listing of and quotation for the entire enlarged issued and paid-up share capital of Sozo comprising 468,000,000 Shares on the Main Market of Bursa Securities.

9. ACCOUNTANTS' REPORT (CONT'D)



3. GENERAL INFORMATION

3.1 Background

Sozo was incorporated in Republic of Singapore on 12 June 2006 under the name of Sozo Energy Capital Pte Ltd. It changed its name to Sozo Global Pte Ltd on 6 October 2006. On 16 October 2009, Sozo was registered in Malaysia as a foreign company. On 27 October 2009, Sozo was converted into a public limited company and assumed its present name up to the date of this report.

3.2 Restructuring Exercise

Sozo and its subsidiary ("Sozo Group" or "the Group") was formed through the Restructuring Exercise (as detailed below) in preparation for its listing on Bursa Securities which resulted in the Company becoming the investment holding company of the Group.

The Restructuring Exercise involved the following steps:-

(i) Acquisition of Rizhao Hengbao Foodstuffs Co., Ltd. ("Rizhao Hengbao")

On 5 December 2007, the Company has entered into an equity joint venture contract with Shen Hengbao, Meng Xiangzhen, Wu Fang, Yao Zhifang and Shi Geli, the equity shareholders of Rizhao Hengbao to acquire the newly increased registered capital of Rizhao Hengbao amounting to RMB10.00 million (representing 31.45% of the total registered capital of Rizhao Hengbao after the increase). Subsequently, the Certificate of Approval for Establishment of Enterprises with Foreign Investment in the People's Republic of China was obtained on 4 January 2008 and Rizhao Hengbao was converted into a Sino-foreign joint venture enterprise. Subsequent to the joint venture status, the Company had on 27 May 2008 entered into an Equity Transfer Agreement with Shen Hengbao, Meng Xiangzhen, Wu Fang, Yao Zhifang and Shi Geli to acquire the remaining 68.55% of the registered capital of Rizhao Hengbao. Thereafter, the Company will hold 100% equity interest in Rizhao Hengbao.

(ii) Conversion into a Wholly Foreign Owned Enterprise ("WFOE")

On 25 September 2009, Rizhao Hengbao became a wholly foreign owned enterprise with paid in capital of RMB41.63 million. The business license is valid for 18 years from 9 March 2005 to 12 March 2023.

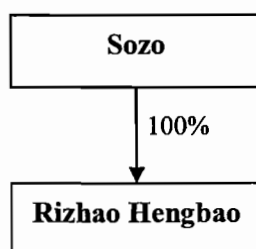
9. ACCOUNTANTS' REPORT (CONT'D)



3. GENERAL INFORMATION (Cont'd)

3.3 Group Structure

The Group structure of Sozo as at the date of this report is as follows:-



The principal activity of the Company is that of an investment holding.

Details of the subsidiary company are as follows:

Name of Company	Effective Equity Interest	Principal Activities	Date/Place of incorporation
Rizhao Hengbao Foodstuffs Co., Ltd ("Rizhao Hengbao")	100%	Manufacturing and producing various types of foods	9 March 2005 / People's Republic of China ("PRC")

3.4 Share Capital

The changes in the Company's issued and paid-up share capital since its date of incorporation were as follows:-

Date of Allotment/ Subdivision	No. of Shares Allotted/ Subdivided	Consideration	Value SGD	Cumulative Total SGD
12 June 2006	10,000	Subscribers' shares	10,000	10,000
7 January 2008	20,000	Cash	20,000	30,000
6 February 2008	3,000,000	Subdivision of every 1 Share into 100 Shares	-	30,000
3 February 2010	300,000,000	Subdivision	-	30,000
8 September 2010	112,620,000	Conversion	15,362,015	15,392,015

9. ACCOUNTANTS' REPORT (CONT'D)



3. GENERAL INFORMATION (Cont'd)

3.5 Share Capital History of Subsidiary Company

Rizhao Hengbao

Rizhao Hengbao's registered capital is RMB80.80 million and as at the date of this report, the contribution to its registered capital is RMB51.99 million. The changes in Rizhao Hengbao's registered capital for the past three (3) years up to the date of this report were as follows:-

Date of Capital Contribution	Contribution (Cash) RMB 'million	Cumulative Contribution to Registered Capital RMB 'million
09.03.2005	2.18	2.18
09.02.2006	0.60	2.78
08.06.2006	10.00	12.78
01.02.2007	4.50	17.28
18.04.2007	4.52	21.80
30.01.2008	1.01	22.81
28.02.2008	2.04	24.85
09.04.2008	6.95	31.80
30.12.2008	0.94	32.74
07.04.2009	0.81	33.55
14.04.2009	1.91	35.46
15.06.2009	2.36	37.82
26.06.2009	1.89	39.71
20.07.2009	1.92	41.63
10.11.2009	10.36	*51.99

Note:-

* As at the date of this report, an amount of RMB51.99 million out of the registered capital of RMB80.80 million has been contributed. The remainder of the registered capital will be contributed by Sozo upon completion of the listing. As most of the proceeds from the listing will be utilised by Rizhao Hengbao for its operations and related expansions, accordingly, the aforesaid proceeds will be remitted by Sozo to Rizhao Hengbao by way of capital contribution.

4. COMBINED FINANCIAL STATEMENTS AND AUDITORS

The auditors, Paul Wan & Co. (Singapore), a member firm of Morison International performed a special audit in accordance with International Standards on Auditing on Sozo Group's combined statement of financial positions, combined statement of comprehensive incomes, combined statements of changes in equity, combined cash flow statements, a summary of significant accounting policies and other explanatory notes ("audited combined financial statements"). The reports were prepared in accordance with International Financial Reporting Standards ("IFRS") for the financial years ended ("FYE") 31 December 2006, 2007, 2008 and 2009 and financial period ended ("FPE") 30 June 2010.

9. ACCOUNTANTS' REPORT (CONT'D)



4. COMBINED FINANCIAL STATEMENTS AND AUDITORS (Cont'd)

Sozo Group carried out an internal restructuring exercise which is a legal reorganisation of entities under common control which is outside the scope of IFRS 3 "Business Combinations". Accordingly, the audited combined financial statements of Sozo Group for the FYE 31 December 2006, 2007, 2008, 2009 and FPE 30 June 2010 have been prepared in accordance with the principles of pooling of interest method.

Under this method of accounting, Sozo has been treated as the holding company of its subsidiary, Rizhao Hengbao for all financial years/ period presented rather than from the date of completion of the Restructuring Exercise. Accordingly, the combined results of the Group for the respective financial years/period include the results of its subsidiary for the entire periods under review.

The auditor's report on the combined financial statements of Sozo Group for all the financial years/ period under review were not subject to any qualification.

5. CONVERSION RATE

The audited combined financial statements of Sozo Group were presented in PRC Renminbi ("RMB"). In preparing this report, we have converted all figures stated in RMB to Ringgit Malaysia ("RM") for information purposes.

The exchange rates used for the purpose of this report as extracted from Bank Negara Malaysia are as follows:-

FYE/ FPE/ As at	RMB		Average rate RM	Closing rate RM
31 December 2006	1.00	:	0.4597	0.4511
31 December 2007	1.00	:	0.4518	0.4534
31 December 2008	1.00	:	0.4819	0.5084
31 December 2009	1.00	:	0.5157	0.5019
30 June 2009	1.00	:	0.5252	0.5151
30 June 2010	1.00	:	0.4829	0.4772

6. FINANCIAL RISK MANAGEMENT POLICIES

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.

9. ACCOUNTANTS' REPORT (CONT'D)


6. FINANCIAL RISK MANAGEMENT POLICIES (Cont'd)

As at 31 December 2006, 2007, 2008, 2009 and 30 June 2010, the Group's financial instruments mainly consisted of cash and cash equivalents, financial assets and financial liabilities.

(a) Foreign Currency Risk

Currency risk is the risk that the value of a financial instrument 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 dollar 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 2% strengthening of the USD, SGD and RM, against the RMB would have had the following impact on the net profits by the amounts shown below.

	← Increase/(Decrease) →	
	Profit after tax 30 Jun 2010 RMB'000	Profit after tax 31 Dec 2009 RMB'000
Singapore dollars	219	313
United States dollars	99	11
Malaysia ringgit	158	304

A 2% weakening of the above currencies against the RMB would have the equal but opposite effect on the RMB of the amounts shown above.

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

(b) Cash flow and fair value interest rate risk

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

9. ACCOUNTANTS' REPORT (CONT'D)



6. FINANCIAL RISK MANAGEMENT POLICIES (Cont'd)

(c) 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 five largest trade receivables which represents approximately 37% 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 receivables are collected within the credit period granted and there is no trade receivables that are considered past due within the relevant period.

(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.

7. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The Combined Financial Statements are prepared on a historical cost basis in accordance with IFRS including related interpretations promulgated by the International Accounting Standard Board, and have been consistently applied throughout FYE 31 December 2006, 2007, 2008, 2009 and FPE 30 June 2010.

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

(b) Changes in Accounting Policies

The Group has early adopted IFRSs and interpretations which are effective for accounting periods beginning on or after 1 January 2007 for the preparation of these Combined Financial Statements of the Group since 1 January 2006. IFRS 1, First-time Adoption of Financial Reporting Standards, has been applied in preparing these Combined Financial Statements. These Combined Financial Statements are the first set of financial statements prepared in accordance with IFRS by the Group.

9. ACCOUNTANTS' REPORT (CONT'D)



7. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) Changes in Accounting Policies (Cont'd)

The accounting policies have been applied consistently to all periods presented in these Combined Financial Statements and in preparing an opening IFRS statement of financial position as at 1 January 2006 for the purpose of the first set of IFRS financial statements.

The management does not anticipate 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 material financial impact to the financial statements.

(c) Subsidiary and Combined Financial Statements

(i) Subsidiary

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

(ii) Combined Financial Statements

A business combination involving entities under common controls is a business combination in which all the combining entities or business are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

The Combined Financial Statements comprise the financial statements of the Company and its subsidiary as at the statement of financial position date. The financial statements of the subsidiary are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

The Restructuring Exercise described in Section 3.2 to the Combined Financial Statements resulted in a business combination involving common control entities. For such common control business combinations, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the Combined Financial Statements. The Combined Financial Statements of the Group for FYE 31 December 2006, 2007, 2008 and 2009 and FPE 30 June 2010 was prepared using the historical cost method in accordance with the principles of merger accounting and presumed that the Restructuring Exercise completed as described in Section 3.2 to the Combined Financial Statements is a legal re-organisation of entities and businesses under common control.

9. ACCOUNTANTS' REPORT (CONT'D)



7. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(c) Subsidiary and Combined Financial Statements (Cont'd)

(ii) Combined Financial Statements (Cont'd)

Pursuant to this:

- Assets and liabilities are combined at their existing carrying amounts;
- No amount is recognised for goodwill;
- For the purpose of this report, the adjusted paid-in capital represented by the issued and paid up share capital of the Company and the paid-in capital of its subsidiary Rizhao Hengbao for FYE 31 December 2006, 2007, 2008, 2009 and FPE 30 June 2010.

Consolidation of the subsidiary in the PRC is based on the subsidiary's audited financial statements prepared in accordance with IFRS. Profits reflected in the financial statements prepared in accordance with IFRS may differ from those reflected in the PRC statutory financial statements of the subsidiary, prepared for PRC statutory reporting purposes. In accordance with the relevant laws and regulations, profits available for distribution by the PRC subsidiary are based on the amounts stated in the PRC statutory financial statements.

(d) Financial Instruments

Financial instruments carried on the combined 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 expire 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 combined statement of comprehensive income, 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 combined statement of comprehensive income is not revocable.

9. ACCOUNTANTS' REPORT (CONT'D)



7. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) Financial Instruments (Cont'd)

Financial assets

The Group does not have any financial assets at fair value through combined statement of comprehensive income, 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 rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the combined statement of comprehensive income 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 equivalent

Cash and cash equivalent comprise cash on hand and in banks.

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 rate method.

(ii) Borrowings

Borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate 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.

9. ACCOUNTANTS' REPORT (CONT'D)



7. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) Financial Instruments (Cont'd)

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.

(e) 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 the combined statement of comprehensive income. 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 combined statement of comprehensive income.

Depreciation is calculated on a straight line basis to write off the cost 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%

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date. Fully depreciated assets still in use are retained in the combined financial statements.

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 combined statement of comprehensive income.

9. ACCOUNTANTS' REPORT (CONT'D)



7. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(f) 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 expenses arising from borrowings used to finance the construction during the construction period.

Construction in progress for production plants 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.

(g) 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.

(h) Impairment Loss

(i) Non-financial assets

The carrying amounts of the Company's assets are reviewed at each statement of financial position date 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 combined statement of comprehensive income 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, but 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 combined statement of comprehensive income, 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.

9. ACCOUNTANTS' REPORT (CONT'D)



7. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(h) Impairment Loss (Cont'd)

(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 assets become uncollectible, it is written off against the allowance account. Subsequent recoveries previously written off are recognised against the same line item in the combined statement of comprehensive income.

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

(i) 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.

(j) 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 combine 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 subsidiaries operate by the statement of financial position date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the combined financial information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position 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.

9. ACCOUNTANTS' REPORT (CONT'D)



7. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(j) Income Tax (Cont'd)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date 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 combined statement of comprehensive income, 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.

(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 directors' best estimate of the expenditure required to settle the obligation at the statement of financial position date, 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 Combined Financial Statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Combined Financial Statements are presented in RMB.

(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 statement of financial position date and transactions in foreign currencies during the financial years 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.

9. ACCOUNTANTS' REPORT (CONT'D)



7. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

(ii) Transactions and balances (Cont'd)

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in statement of comprehensive income for the years. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the years 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 combined statement of comprehensive income are translated at average exchange rate; and
- (c) 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 combined statement of comprehensive income as incurred.

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 statement of financial position date.

9. ACCOUNTANTS' REPORT (CONT'D)



7. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(n) Revenue Recognition

Sale of Goods

Revenue from sales of goods is recognised when the Group entity 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 statement of comprehensive income in the period in which they are incurred.

(p) Operating Leases

Rentals payable under operating leases are charged to the combined statement of comprehensive income 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.

9. ACCOUNTANTS' REPORT (CONT'D)



8. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Combined 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 Section 7, reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Combined 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, 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 Combined Financial Statements.

(b) Key Sources of Estimation Uncertainty

(i) Useful Lives 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 years.

(ii) Income Taxes

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 provisions in the period in which such determination is made.

9. ACCOUNTANTS' REPORT (CONT'D)



9. HISTORICAL FINANCIAL INFORMATION

9.1 Combined Statement of Comprehensive Income

FYE/ FPE	31/12/2006		31/12/2007		31/12/2008		31/12/2009		@30/06/2009		30/06/2010	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Revenue	126,335	58,076	218,615	98,770	415,126	200,050	608,775	313,945	284,625	149,485	392,554	189,564
Cost of sales	(98,164)	(45,126)	(143,847)	(64,990)	(282,304)	(136,043)	(394,446)	(203,416)	(184,560)	(96,931)	(263,118)	(127,060)
Gross profit	28,171	12,950	74,768	33,780	132,822	64,007	214,329	110,529	100,065	52,554	129,436	62,504
Other operating income	248	114	2,249	1,016	886	427	1,801	929	1,020	536	1,821	879
Selling and distribution expenses	(727)	(334)	(917)	(414)	(749)	(361)	(1,412)	(728)	(992)	(521)	(725)	(350)
General and administrative expenses	(1,336)	(614)	(3,100)	(1,401)	(5,902)	(2,844)	(7,588)	(3,913)	(3,078)	(1,617)	(3,534)	(1,707)
Other operating expenses	(1,673)	(769)	(7,206)	(3,256)	(2)	(1)	(637)	(329)	(39)	(20)	(2,659)	(1,284)
Finance costs	(32)	(15)	(475)	(215)	(558)	(269)	(260)	(134)	(54)	(28)	(369)	(178)
Profit before taxation	24,651	11,332	65,319	29,510	126,497	60,959	206,233	106,354	96,922	50,904	123,970	59,864
Taxation	(9,116)	(4,191)	(23,270)	(10,513)	(31,587)	(15,222)	(52,601)	(27,126)	(24,632)	(12,937)	(31,285)	(15,108)
Profit after taxation	15,535	7,141	42,049	18,997	94,910	45,737	153,632	79,228	72,290	37,967	92,685	44,756
Fair value adjustment	-	-	-	-	-	-	8,237	4,248	-	-	-	-
Total comprehensive income	15,535	7,141	42,049	18,997	94,910	45,737	161,869	83,476	72,290	37,967	92,685	44,756
Gross profit margin (%)	22.30	22.30	34.20	34.20	32.00	32.00	35.21	35.21	35.16	35.16	32.97	32.97
Pre-tax profit margin (%)	19.51	19.51	29.88	29.88	30.47	30.47	33.88	33.88	34.05	34.05	31.58	31.58
Effective tax rate (%)	36.98	36.98	35.63	35.63	24.97	24.97	25.51	25.51	25.40	25.40	25.24	25.24
Gross earnings per Share ("EPS") (RMB Cents/Sen)*	5.97	2.75	15.83	7.15	30.66	14.77	49.98	25.78	46.98	24.67	60.09	29.02
Net EPS (RMB Cents/Sen) *	3.76	1.73	10.19	4.60	23.00	11.08	37.23	19.20	35.04	18.40	44.93	21.69

Notes:-

* Based on the share capital of 412,620,000 Shares after the Subdivision and Conversion.

^ Annualised to twelve (12) months for comparison purposes.

@ The combined statement of comprehensive income for the FPE 30 June 2009 is included for comparison purpose only.

9. ACCOUNTANTS' REPORT (CONT'D)



9. HISTORICAL FINANCIAL INFORMATION (Cont'd)

9.2 Combined Statement of Financial Position

As at	Notes	31/12/2006		31/12/2007		31/12/2008		31/12/2009		30/06/2010	
		RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Non-Current Assets											
Property, plant and equipment	(a)	23,367	10,541	16,589	7,521	42,637	21,677	58,370	29,296	57,920	27,639
Construction in progress	(b)	183	83	26,761	12,133	15,260	7,758	6,475	3,250	7,237	3,453
Intangible assets	(c)	14,594	6,583	14,829	6,723	14,501	7,372	14,174	7,114	14,011	6,686
		38,144	17,207	58,179	26,377	72,398	36,807	79,019	39,660	79,168	37,778
Current Assets											
Inventories	(d)	21,683	9,781	13,280	6,021	2,733	1,389	6,514	3,269	10,253	4,893
Trade receivables	(e)	11,074	4,995	24,556	11,134	47,141	23,966	32,975	16,550	85,053	40,587
Other receivables	(f)	117	53	1,377	624	5,823	2,960	14,499	7,277	16,568	7,906
Cash and cash equivalents	(g)	7,536	3,399	39,021	17,692	124,175	63,131	290,952	146,029	372,631	177,820
		40,410	18,228	78,234	35,471	179,872	91,446	344,940	173,125	484,505	231,206
Total Assets		78,554	35,435	136,413	61,848	252,270	128,253	423,959	212,785	563,673	268,984
Capital and Reserves											
Share capital		12,831	5,813	21,952	9,857	21,952	9,857	152	68	152	68
Reserves	(h)	2,028	937	7,100	3,229	16,554	7,785	40,489	19,798	48,637	23,686
Retained earnings		18,253	8,428	26,890	12,284	112,346	53,465	250,280	124,814	334,817	165,682
Translation reserves		-	(241)	-	(7)	-	5,586	-	1,333	-	(6,380)
Total Equity		33,112	14,937	55,942	25,363	150,852	76,693	290,921	146,013	383,606	183,056
Non-Current Liabilities											
Borrowings	(i)	6,546	2,953	6,546	2,968	-	-	13,769	6,911	12,789	6,103
Current Liabilities											
Trade payables	(j)	15,567	7,022	2,124	963	57,857	29,414	21,435	10,758	53,691	25,621
Other payables	(k)	7,935	3,579	28,017	12,703	10,285	5,229	11,833	5,939	17,763	8,477
Income tax liabilities		3,344	1,508	5,444	2,468	8,065	4,100	11,775	5,910	18,293	8,729
Dividend payable	(l)	-	-	28,340	12,849	-	-	-	-	-	-
Borrowings	(i)	12,050	5,436	10,000	4,534	25,211	12,817	74,226	37,254	77,531	36,998
		38,896	17,545	73,925	33,517	101,418	51,560	119,269	59,861	167,278	79,825
Total Liabilities		45,442	20,498	80,471	36,485	101,418	51,560	133,038	66,772	180,067	85,928
Total Equity and Liabilities		78,554	35,435	136,413	61,848	252,270	128,253	423,959	212,785	563,673	268,984
Net Assets ("NA")		33,112	14,937	55,942	25,363	150,852	76,693	290,921	146,013	383,606	183,056
Net Tangible Assets ("NTA")		18,518	8,354	41,113	18,640	136,351	69,321	276,747	138,899	369,595	176,370
NA per Share (RMB/RM) *		0.08	0.04	0.14	0.06	0.37	0.19	0.71	0.35	0.93	0.44
NTA per Share (RMB/RM) *		0.04	0.02	0.10	0.05	0.33	0.17	0.67	0.34	0.90	0.43

Note:-

* Based on the share capital of 412,620,000 Shares after the Subdivision and Conversion.

9. ACCOUNTANTS' REPORT (CONT'D)



9. HISTORICAL FINANCIAL INFORMATION (Cont'd)

9.2 Combined Statement of Financial Position (Cont'd)

Notes to Combined Statement of Financial Position

(a) Property, Plant and Equipment

FYE/ FPE	31/12/2006		31/12/2007		31/12/2008		31/12/2009		30/06/2010	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Cost or valuation										
Leasehold buildings and infrastructure										
- cost	-	-	-	-	21,593	10,978	39,891	20,021	39,891	19,036
- valuation	13,305	6,002	8,413	3,814	8,413	4,277	8,413	4,223	8,413	4,015
Plant and machinery										
- cost	389	175	7,217	3,272	14,060	7,148	14,733	7,395	15,124	7,217
- valuation	10,527	4,750	750	340	750	381	750	376	750	358
Furniture fittings and equipment										
- cost	169	76	322	146	344	175	387	194	389	186
- valuation	475	215	514	233	514	262	514	258	514	245
Motor vehicles										
- cost	400	180	-	-	-	-	208	104	1,535	732
- valuation	-	-	316	144	316	161	316	159	316	151
Total	25,265	11,398	17,532	7,949	45,990	23,382	65,212	32,730	66,932	31,940
Accumulated Depreciation										
Leasehold buildings and infrastructure										
	513	231	236	107	979	498	2,327	1,168	3,320	1,584
Plant and machinery										
	1,223	552	568	258	1,935	984	3,765	1,890	4,711	2,248
Furniture, fittings and equipments										
	143	65	102	46	327	166	545	273	636	304
Motor vehicles										
	19	9	37	17	112	57	205	103	345	165
Total	1,898	857	943	428	3,353	1,705	6,842	3,434	9,012	4,301
Net carrying amount										
Leasehold buildings and infrastructure										
	12,792	5,771	8,177	3,707	29,027	14,757	45,977	23,076	44,984	21,467
Plant and machinery										
	9,693	4,373	7,399	3,354	12,875	6,545	11,718	5,881	11,163	5,327
Furniture, fittings and equipment										
	501	226	734	333	531	271	356	179	267	127
Motor vehicles										
	381	171	279	127	204	104	319	160	1,506	718
Total	23,367	10,541	16,589	7,521	42,637	21,677	58,370	29,296	57,920	27,639

All property, plant and equipment held by Rizhao Hengbao are located in PRC.

9. ACCOUNTANTS' REPORT (CONT'D)



9. HISTORICAL FINANCIAL INFORMATION (Cont'd)

9.2 Combined Statement of Financial Position (Cont'd)

Notes to Combined Statement of Financial Position (Cont'd)

(b) Construction in Progress

FYE/ FPE	31/12/2006		31/12/2007		31/12/2008		31/12/2009		30/06/2010	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Carrying amounts as at	-	-	183	83	26,761	12,133	15,260	7,758	6,475	3,250
Additions										
Building under construction	183	83	23,937	10,853	12,985	6,602	3,000	1,506	-	-
Plant and machinery under installation	-	-	2,641	1,197	3,220	1,637	-	-	-	-
Waste water treatment plant	-	-	-	-	-	-	6,475	3,250	762	364
Reclassification to property, plant and equipment										
Building under construction	-	-	-	-	(21,845)	(11,106)	(18,260)	(9,165)	-	-
Plant and machinery under installation	-	-	-	-	(5,861)	(2,980)	-	-	-	-
Exchange fluctuation difference	-	-	-	-	-	1,472	-	(99)	-	(161)
Total	183	83	26,761	12,133	15,260	7,758	6,475	3,250	7,237	3,453

Building under construction represent 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.

9. ACCOUNTANTS' REPORT (CONT'D)



9. HISTORICAL FINANCIAL INFORMATION (Cont'd)

9.2 Combined Statement of Financial Position (Cont'd)

Notes to Combined Statement of Financial Position (Cont'd)

(c) Intangible Assets

FYE/ FPE	31/12/2006		31/12/2007		31/12/2008		31/12//2009		30/06/2010	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Cost										
Land use rights	-	-	14,680	6,622	15,230	6,904	15,230	7,743	15,230	7,645
Computer software	-	-	-	-	13	6	13	7	13	6
	-	-	14,680	6,622	15,243	6,910	15,243	7,750	15,243	7,651
Additions										
Land use rights	14,680	6,622	550	249	-	-	-	-	-	-
Computer software	-	-	13	6	-	-	-	-	-	-
	14,680	6,622	563	255	-	-	-	-	-	-
Accumulated Amortisation										
Land use rights	86	39	411	186	736	374	1,060	532	1,222	583
Computer software	-	-	3	1	6	3	9	5	10	5
	86	39	414	187	742	377	1,069	537	1,232	588
Net carrying amount										
Land use rights	14,594	6,583	14,819	6,685	14,494	6,530	14,170	7,211	14,008	7,062
Exchange fluctuation difference	-	-	-	33	-	839	-	(99)	-	(377)
	14,594	6,583	14,819	6,718	14,494	7,369	14,170	7,112	14,008	6,685
Computer software	-	-	10	5	7	3	4	2	3	1
	14,594	6,583	14,829	6,723	14,501	7,372	14,174	7,114	14,011	6,686

The above land use rights represent land of:

- (i) 6,406 sq m located at Ju County Huaixu Gonglu Dong Ce, Rizhao Lu Nan Ce, and amortised over lease period of 38 years from 2006;
- (ii) 17,903.80 sq m located at Ju County Huaixu Gonglu Dong Ce, Rizhao Lu Nan Ce, and amortised over lease period of 38 years from 2006;
- (iii) 17,170.10 sq m located at Ju County Huaixu Gonglu Dong Ce, Rizhao Lu Nan Ce, and amortised over lease period of 50 years from 2006; and
- (iv) 64,427 sq m located at Ju County Yanzhuang Town Jianhua Cun Zhu Di, Weifang Lu Bei Ce, and amortised over lease period of 50 years from 2006.

9. ACCOUNTANTS' REPORT (CONT'D)



9. HISTORICAL FINANCIAL INFORMATION (Cont'd)

9.2 Combined Statement of Financial Position (Cont'd)

Notes to Combined Statement of Financial Position (Cont'd)

(d) Inventories

FYE/ FPE	31/12/2006		31/12/2007		31/12/2008		31/12/2009		30/06/2010	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Raw materials	12,795	5,772	2,618	1,187	535	272	3,029	1,520	2,411	1,151
Finished goods	8,888	4,009	10,662	4,834	2,198	1,117	3,485	1,749	7,842	3,742
	<u>21,683</u>	<u>9,781</u>	<u>13,280</u>	<u>6,021</u>	<u>2,733</u>	<u>1,389</u>	<u>6,514</u>	<u>3,269</u>	<u>10,253</u>	<u>4,893</u>
Cost of sales	98,164	45,126	143,847	64,990	282,304	136,043	394,446	203,416	263,118	127,060
% of inventories to cost of sales*	13.99		12.15		2.84		1.17		3.19	
Inventories turnover period (days)*	51		45		11		4		6	

* Based on average inventories balances.

All the goods are stated at cost in the combined statement of financial position.

The inventories turnover period is approximately 6 days for 30 June 2010 (2009: 4 days; 2008: 11 days; 2007: 45 days; 2006: 51 days). No allowance for inventory obsolescence is considered necessary.

(e) Trade Receivables

FYE/ FPE	31/12/2006		31/12/2007		31/12/2008		31/12/2009		30/06/2010	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Trade receivables	11,074	4,995	24,556	11,134	47,141	23,966	32,975	16,550	85,053	40,587
Revenue	126,335	58,076	218,615	98,770	415,126	200,050	608,775	313,945	392,554	189,564
% of trade receivables to revenue*	5.76		8.15		8.64		6.58		15.03	
Trade receivables turnover period (days)*	22		30		32		24		27	

* Based on average trade receivables balances.

All trade receivables are subject to credit risk exposure. However, the Company does not identify specific concentrations of credit risk with regards to trade receivables, as the amounts recognised resemble a large number of receivables from various customers.

9. ACCOUNTANTS' REPORT (CONT'D)



9. HISTORICAL FINANCIAL INFORMATION (Cont'd)

9.2 Combined Statement of Financial Position (Cont'd)

Notes to Combined Statement of Financial Position (Cont'd)

(e) Trade Receivables (Cont'd)

Ageing Analysis of Trade Receivables as at 30 June 2010

Credit Period	Within credit period			Exceeding credit period of 90 days			Total
	0-30 days	31-60 days	61-90 days	91-180 days	181-365 days	More than 365 days	
Trade receivables (RMB'000)	85,050	-	1	2	-	-	85,053
Trade receivables (RM'000)	40,586	-	^	1	-	-	40,587
% of trade receivables	100.00	-	^	^	-	-	100.00

Note:

^ Immaterial

The ageing analysis of the trade receivables approximates 27 days for 30 June 2010 (2009: 24 days; 2008: 32 days; 2007: 30 days; 2006: 22 days). No allowance for impairment has been considered necessary for FYE 31 December 2006, 2007, 2008, 2009 and FPE 30 June 2010.

Trade receivables are non-interest bearing and generally have credit terms of 30 - 60 days and 60 - 90 days for local customers and foreign customers respectively.

Trade receivables are denominated in the following currencies:-

FYE/ FPE	31/12/2006		31/12/2007		31/12/2008		31/12/2009		30/06/2010	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
RMB	6,252	2,820	22,408	10,160	45,278	23,019	30,895	15,506	81,188	38,743
USD	4,822	2,175	2,148	974	1,863	947	2,080	1,044	3,865	1,844
	11,074	4,995	24,556	11,134	47,141	23,966	32,975	16,550	85,053	40,587

(f) Other Receivables

FYE/ FPE	31/12/2006		31/12/2007		31/12/2008		31/12/2009		30/06/2010	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Other receivables	49	22	64	29	447	227	-	-	-	-
Deposits	50	23	-	-	-	-	-	-	-	-
Prepayments	18	8	1,313	595	5,376	2,733	14,499	7,277	16,568	7,906
	117	53	1,377	624	5,823	2,960	14,499	7,277	16,568	7,906

The carrying amounts of other receivables are denominated in RMB and SGD.

9. ACCOUNTANTS' REPORT (CONT'D)



9. HISTORICAL FINANCIAL INFORMATION (Cont'd)

9.2 Combined Statement of Financial Position (Cont'd)

Notes to Combined Statement of Financial Position (Cont'd)

(g) Cash and Cash Equivalents

FYE/ FPE	31/12/2006		31/12/2007		31/12/2008		31/12/2009		30/06/2010	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Cash at bank	7,427	3,350	38,975	17,671	124,064	63,074	290,851	145,978	372,631	177,820
Cash on hand	109	49	46	21	111	57	101	51	-	-
	7,536	3,399	39,021	17,692	124,175	63,131	290,952	146,029	372,631	177,820
Denominated										
RMB	7,363	3,321	38,761	17,574	122,148	62,100	280,495	140,780	362,449	172,961
SGD	51	23	134	61	1,860	946	314	158	722	345
USD	122	55	126	57	167	85	-	-	1,099	524
RM	-	-	-	-	-	-	10,143	5,091	8,361	3,990
	7,536	3,399	39,021	17,692	124,175	63,131	290,952	146,029	372,631	177,820

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

(h) Reserves

FYE/ FPE	31/12/2006		31/12/2007		31/12/2008		31/12/2009		30/06/2010	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Fair value adjustment reserves	-	-	-	-	-	-	8,237	4,134	8,237	4,134
Statutory reserves	2,028	937	7,100	3,229	16,554	7,785	32,252	15,664	40,400	19,552
	2,028	937	7,100	3,229	16,554	7,785	40,489	19,798	48,637	23,686

Fair Value Adjustment Reserves

The above fair value adjustment reserves represent fair value adjustment on interest free loan from ex-shareholders. The Group accounted for the liability based on fair value through income statement. Changes in the fair value of the borrowings at fair value through income statement have been included in the statement of comprehensive income for the period.

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 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.

9. ACCOUNTANTS' REPORT (CONT'D)



9. HISTORICAL FINANCIAL INFORMATION (Cont'd)

9.2 Combined Statement of Financial Position (Cont'd)

Notes to Combined Statement of Financial Position (Cont'd)

(i) Borrowings

FYE/ FPE	31/12/2006		31/12/2007		31/12/2008		31/12/2009		30/06/2010	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Loans - secured	18,596	8,389	16,546	7,502	10,000	5,084	-	-	-	-
Loans - unsecured	-	-	-	-	-	-	13,769	6,911	12,789	6,103
	18,596	8,389	16,546	7,502	10,000	5,084	13,769	6,911	12,789	6,103
Convertible loans										
Tranche 1	-	-	-	-	14,260	7,249	14,598	7,327	14,611	6,972
Tranche 2	-	-	-	-	951	484	4,162	2,089	4,214	2,011
Tranche 3	-	-	-	-	-	-	14,524	7,289	15,699	7,492
	-	-	-	-	15,211	7,733	33,284	16,705	34,524	16,475
Redeemable preference shares	-	-	-	-	-	-	40,942	20,549	43,007	20,523
Total borrowings	18,596	8,389	16,546	7,502	25,211	12,817	87,995	44,165	90,320	43,101
Less: Amount due within one year	(12,050)	(5,436)	(10,000)	(4,534)	(25,211)	(12,817)	(74,226)	(37,254)	(77,531)	(36,998)
Balance due after one year	6,546	2,953	6,546	2,968	-	-	13,769	6,911	12,789	6,103
Denominated										
RMB	18,596	8,389	16,546	7,502	10,000	5,084	13,769	6,911	12,789	6,103
RM	-	-	-	-	-	-	45,736	22,955	48,042	22,926
SGD	-	-	-	-	15,211	7,733	28,490	14,299	29,489	14,072
	18,596	8,389	16,546	7,502	25,211	12,817	87,995	44,165	90,320	43,101

Loans - secured

The Group's borrowings bear interest rate ranging from 6.12% - 6.39%. These borrowings have an average maturity of NIL (2008: 3 months; 2007: 3 months; 2006: 3 months) from the end of the financial year. During the FYE 31 December 2009, the short-term borrowing has been fully repaid. The borrowings are guaranteed by a third party, Rizhao Fuyuan Foodstuff Co., Ltd.

Loans - unsecured

On 25 September 2009, Rizhao Hengbao Foodstuffs Co., Ltd. has entered into a 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 of the Company 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 5.94% (2009: 4.86%) per annum of an equivalent instrument at the statement of financial position date.

The borrowings are denominated in RMB.

9. ACCOUNTANTS' REPORT (CONT'D)



9. HISTORICAL FINANCIAL INFORMATION (Cont'd)

9.2 Combined Statement of Financial Position (Cont'd)

Notes to Combined Statement of Financial Position (Cont'd)

(i) Borrowings (Cont'd)

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 SGD3,000,000 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.

Tranche 1 convertible loan shall be converted as per formulas below:

Principal Amount of loan divided by "B"

Where "B" = $(P \times 3.2) + \text{Principal Amount of Loan}$

Where "P" = Audited net profit after tax of Rizhao Hengbao Foodstuffs Co., Ltd (PRC Company) for the financial year ended 31 December 2007.

Convertible loans (Tranche 2)

The Company entered into various Convertible Loan Agreements dated 29 December 2008, 29 March 2009 and 31 March 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 SGD650,000 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.

Tranche 2 convertible loan shall be converted as per formulas below:

Principal Amount of loan divided by "Agreed Value"

Where "Agreed Value" = "Profit Target" multiply by PER at IPO multiply by 41.2%

Where "Profit Target" equal to amount of RMB140,000,000.

PER at IPO, is the price earning multiple uses to determine the IPO price of the Company.

9. ACCOUNTANTS' REPORT (CONT'D)



9. HISTORICAL FINANCIAL INFORMATION (Cont'd)

9.2 Combined Statement of Financial Position (Cont'd)

Notes to Combined Statement of Financial Position (Cont'd)

(i) Borrowings (Cont'd)

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 SGD2,405,000 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 Securities. The term of the convertible loan facility shall commence from the drawdown date and for loan period of 12 months from drawdown date.

Tranche 3 convertible loan shall be converted as per formulas below:

Principal Amount of loan divided by "Agreed Value"

Where "Agreed Value" = "Profit Target" multiply by PER at IPO multiply by 45.5%

Where "Profit Target" equal to amount of RMB140,000,000.

PER at IPO, is the price earning multiple use to determine the IPO price of the Company.

The above convertible loans represent the drawdown amount for each respective year and are jointly guaranteed by certain directors of Rizhao Hengbao Foodstuffs Co., Ltd. As at 31 December 2009, all the above convertible loans have been fully drawdown.

Unless the convertible loans are converted into the Company's share, the Company shall repay any outstanding amount of the loan to the investors upon the expiry of loan period together with either:-

- (a) if the market value of Conversion Shares (calculated based on the hypothetical conversion of the Loan into Conversion Shares) is higher than the loan, then the difference between these two (2) amounts; or
- (b) interest at the rate of 8%, 14% or 14.5% (vary to investors) per annum compounded annually and calculated from the drawdown date, whichever is the higher.

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.

The convertible loans were utilised for the working capital purpose of the Group and the payment of expenses relating to the listing exercise.

9. ACCOUNTANTS' REPORT (CONT'D)



9. HISTORICAL FINANCIAL INFORMATION (Cont'd)

9.2 Combined Statement of Financial Position (Cont'd)

Notes to Combined Statement of Financial Position (Cont'd)

(i) Borrowings (Cont'd)

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 SGD0.01 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 SGD0.01 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.

(j) Trade Payables

FYE/ FPE	31/12/2006		31/12/2007		31/12/2008		31/12/2009		30/06/2010	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Trade payables	15,567	7,022	2,124	963	57,857	29,414	21,435	10,758	53,691	25,621
Cost of sales	98,164	45,126	143,847	64,990	282,304	136,043	394,446	203,416	263,118	127,060
% of trade payable to cost of sales*	8.76		6.15		10.62		10.05		14.28	
Trade payables turnover period (days)*	32		22		39		37		26	

* Based on average trade payables balances.

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

9. ACCOUNTANTS' REPORT (CONT'D)



9. HISTORICAL FINANCIAL INFORMATION (Cont'd)

9.2 Combined Statement of Financial Position (Cont'd)

Notes to Combined Statement of Financial Position (Cont'd)

(j) Trade Payables

Ageing Analysis of Trade Payables as at 30 June 2010

Credit Period	Within credit period		Exceeding credit period of 60 days				Total
	0-30 days	31-60 days	61-90 days	91-180 days	181-365 days	More than 365 days	
Trade payables (RMB'000)	53,219	-	4	468	-	-	53,691
Trade payables (RM'000)	25,396	-	2	223	-	-	25,621
% of trade payables	99.12	-	0.01	0.87	-	-	100.00

The ageing of trade payables approximate 26 days for 30 June 2010 (2009: 37 days; 2008: 39 days; 2007: 22 days; 2006: 32 days).

The carrying amounts of trade payables are denominated in RMB.

(k) Other Payables

FYE/ FPE	31/12/2006		31/12/2007		31/12/2008		31/12/2009		30/06/2010	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Other payables	1,998	901	20,965	9,506	7,478	3,802	7,886	3,958	10,737	5,124
Accruals	5,937	2,678	6,805	3,085	2,560	1,301	3,947	1,981	6,899	3,292
Advances from customers	-	-	247	112	247	126	-	-	127	61
	7,935	3,579	28,017	12,703	10,285	5,229	11,833	5,939	17,763	8,477

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

The carrying amounts of other payables are denominated in RMB, RM and SGD.

(l) Dividend Payable

FYE/ FPE	31/12/2006		31/12/2007		31/12/2008		31/12/2009		30/06/2010	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Dividend paid to shareholders before the restructuring	-	-	28,340	12,849	-	-	-	-	-	-
Gross dividend rate (%) *	-	-	6.87	3.11	-	-	-	-	-	-

* Based on the share capital of 412,620,000 Shares after the Subdivision and Conversion.

Dividend declared during the relevant period represented dividends declared and paid by Rizhao Hengbao to their equity owners.

9. ACCOUNTANTS' REPORT (CONT'D)



9. HISTORICAL FINANCIAL INFORMATION (Cont'd)

9.3 Combined Statement of Cash Flows

FYE/ FPE	31/12/2006		31/12/2007		31/12/2008		31/12/2009		30/06/2010	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Cash flows from operating activities										
Profit before taxation	24,651	11,332	65,319	29,510	126,497	60,959	206,233	106,354	123,970	59,864
Adjustments for:										
Depreciation	1,892	870	2,263	1,022	2,410	1,161	3,489	1,799	2,170	1,048
Amortisation	86	40	328	148	328	158	327	169	163	79
Gain on disposal of property, plant and equipment	-	-	(369)	(167)	-	-	-	-	-	-
Asset revaluation deficit	-	-	5,054	2,283	-	-	-	-	-	-
Interest expense	32	15	475	215	558	269	260	134	369	178
Exchange difference arising from translation	-	-	-	-	-	-	1,337	689	3,305	1,596
Gain on fair value adjustment	-	-	-	-	-	-	-	-	(1,349)	(651)
Interest income	(95)	(44)	(98)	(44)	(260)	(125)	(381)	(196)	(470)	(227)
Operating profit before working capital changes	26,566	12,213	72,972	32,967	129,533	62,422	211,265	108,949	128,158	61,887
(Increase)/ Decrease in inventories	(15,906)	(7,067)	8,403	3,760	10,547	4,632	(3,781)	(1,898)	(3,739)	(1,784)
(Increase)/ Decrease in receivables	(6,615)	(2,900)	(14,742)	(6,710)	(27,031)	(15,168)	5,490	2,755	(54,147)	(25,839)
Increase/ (Decrease) in payables	20,883	9,372	6,639	3,065	38,001	20,977	(34,874)	(17,503)	38,186	18,222
Cash generated from operations	24,928	11,618	73,272	33,082	151,050	72,863	178,100	92,303	108,458	52,486
Income tax paid	(7,471)	(3,434)	(21,170)	(9,565)	(28,966)	(13,959)	(48,891)	(25,213)	(24,767)	(11,960)
Interest received	95	44	98	44	260	125	381	196	470	227
Net cash generated from operating activities	17,552	8,228	52,200	23,561	122,344	59,029	129,590	67,286	84,161	40,753
Cash flows from investing activities										
Purchase of property, plant and equipment	(24,899)	(11,446)	(1,481)	(669)	(752)	(362)	(962)	(496)	(1,720)	(831)
Payment of construction in progress	(183)	(84)	(26,578)	(12,008)	(16,205)	(7,809)	(9,475)	(4,886)	(762)	(368)
Proceeds from disposal of property, plant and equipment	-	-	1,311	592	-	-	-	-	-	-
Purchase of intangible assets	(14,680)	(6,748)	(563)	(254)	-	-	-	-	-	-
Net cash used in investing activities	(39,762)	(18,278)	(27,311)	(12,339)	(16,957)	(8,171)	(10,437)	(5,382)	(2,482)	(1,199)
Cash flows from financing activities										
Proceeds from borrowings	18,596	8,549	-	-	15,211	7,330	79,478	40,987	-	-
Repayment of borrowings	-	-	(2,050)	(926)	(6,546)	(3,154)	(10,000)	(5,157)	-	-
Proceeds from issuance of shares and capital injection	10,651	4,792	9,121	4,044	-	-	-	-	-	-
Payment to ex-shareholder for subsidiary company's share	-	-	-	-	-	-	(21,800)	(11,242)	-	-
Interest paid	(32)	(15)	(475)	(215)	(558)	(269)	(54)	(28)	-	-
Payment of dividends to shareholders before the restructuring	-	-	-	-	(28,340)	(13,657)	-	-	-	-
Net cash generated from/ (used in) financing activities	29,215	13,326	6,596	2,903	(20,233)	(9,750)	47,624	24,560	-	-
Net increase in cash and cash equivalents	7,005	3,276	31,485	14,125	85,154	41,108	166,777	86,464	81,679	39,554
Effect of exchange translation	-	(121)	-	168	-	4,331	-	(3,567)	-	(7,763)
Cash and cash equivalents at beginning of the financial year/ period	531	244	7,536	3,399	39,021	17,692	124,175	63,131	290,952	146,029
Cash and cash equivalents at the end of the financial year/ period	7,536	3,399	39,021	17,692	124,175	63,131	290,952	146,029	372,631	177,820

9. ACCOUNTANTS' REPORT (CONT'D)



9. HISTORICAL FINANCIAL INFORMATION (Cont'd)

9.4 Combined Statement of Changes in Equity

FYE/ FPE	Share Capital		Statutory Reserves		Fair Value Adjustment Reserves		Retained Earnings		Translation Reserves		Total Equity	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Balance at 1 January 2006	2,180	1,021	475	223	-	-	4,271	2,001	-	-	6,926	3,245
Additions	10,651	4,792	-	-	-	-	-	-	-	-	10,651	4,792
Total comprehensive income for the year	-	-	-	-	-	-	15,535	7,141	-	-	15,535	7,141
Translation reserves	-	-	-	-	-	-	-	-	-	(241)	-	(241)
Transfer to reserves	-	-	1,553	714	-	-	(1,553)	(714)	-	-	-	-
Balance at 31 December 2006	12,831	5,813	2,028	937	-	-	18,253	8,428	-	(241)	33,112	14,937
Additions	9,121	4,044	-	-	-	-	-	-	-	-	9,121	4,044
Total comprehensive income for the year	-	-	-	-	-	-	42,049	18,997	-	-	42,049	18,997
Translation reserves	-	-	-	-	-	-	-	-	-	234	-	234
Transfer to reserves	-	-	5,072	2,292	-	-	(5,072)	(2,292)	-	-	-	-
Dividend paid to shareholders before the restructuring	-	-	-	-	-	-	(28,340)	(12,849)	-	-	(28,340)	(12,849)
Balance at 31 December 2007	21,952	9,857	7,100	3,229	-	-	26,890	12,284	-	(7)	55,942	25,363
Total comprehensive income for the year	-	-	-	-	-	-	94,910	45,737	-	-	94,910	45,737
Translation reserves	-	-	-	-	-	-	-	-	-	5,593	-	5,593
Transfer to reserves	-	-	9,454	4,556	-	-	(9,454)	(4,556)	-	-	-	-
Balance at 31 December 2008	21,952	9,857	16,554	7,785	-	-	112,346	53,465	-	5,586	150,852	76,693
Elimination of subsidiary's share capital	(21,800)	(9,789)	-	-	-	-	-	-	-	-	(21,800)	(9,789)
Total comprehensive income for the year	-	-	-	-	8,237	4,134	153,632	79,228	-	-	161,869	83,362
Translation reserves	-	-	-	-	-	-	-	-	-	(4,253)	-	(4,253)
Transfer to reserves	-	-	15,698	7,879	-	-	(15,698)	(7,879)	-	-	-	-
Balance at 31 December 2009	152	68	32,252	15,664	8,237	4,134	250,280	124,814	-	1,333	290,921	146,013
Total comprehensive income for the period	-	-	-	-	-	-	92,685	44,756	-	-	92,685	44,756
Translation reserves	-	-	-	-	-	-	-	-	-	(7,713)	-	(7,713)
Transfer to reserves	-	-	8,148	3,888	-	-	(8,148)	(3,888)	-	-	-	-
Balance at 30 June 2010	152	68	40,400	19,552	8,237	4,134	334,817	165,682	-	(6,380)	383,606	183,056

10. COMMITMENTS

Capital Commitments

Capital expenditures contracted for at the statement of financial position date but not recognised in the financial statements is analysed as follows:

FYE/ FPE	31/12/2006		31/12/2007		31/12/2008		31/12/2009		30/06/2010	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Capital contribution to subsidiary	-	-	-	-	69,860	35,517	28,811	14,460	28,811	13,749
Construction in progress	-	-	8,052	3,651	-	-	2,025	1,016	1,263	603

9. ACCOUNTANTS' REPORT (CONT'D)



10. COMMITMENTS (Cont'd)

Operating lease commitments

At the statement of financial position date, the total of future minimum lease payments under non-cancellable operating lease is as follows:

FYE/ FPE	31/12/2006		31/12/2007		31/12/2008		31/12/2009		30/06/2010	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Not later than one year	-	-	-	-	53	27	53	27	26	12
Later than one year and not later than five years	-	-	-	-	75	38	22	11	22	10
	-	-	-	-	128	65	75	38	48	22
Rental expenses for the year/ period	-	-	-	-	145	74	53	27	26	12

11. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

As disclosed in Section 9.2 (h), a subsidiary of the Group is required by the Foreign Enterprise Law of PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiary for FYE 31 December 2006, 2007, 2008, 2009 and FPE 30 June 2010.

12. RELATED PARTY TRANSACTIONS

Key management personnel compensation (include directors) is analysed as follows:

FYE/ FPE	31/12/2006		31/12/2007		31/12/2008		31/12/2009		30/06/2010	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Salaries and other short- term employee benefits	60	28	84	38	187	90	203	105	101	49
Post employment benefits	22	10	22	10	22	11	21	11	13	6
	82	38	106	48	209	101	224	116	114	55

9. ACCOUNTANTS' REPORT (CONT'D)



13. SEGMENT INFORMATION

(a) Business segments

In accordance with the Group's internal financial reporting, the Group has determined that the following business segments are presented as the primary reporting format.

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

FYE/ FPE	31/12/2006		31/12/2007		31/12/2008		31/12/2009		30/06/2010	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
Revenue										
- Ready-to-serve food	66,622	30,626	113,234	51,159	312,895	150,784	445,918	229,960	314,765	152,000
- Frozen vegetables	37,365	17,301	82,555	37,298	40,608	19,569	73,431	37,868	68,772	33,210
- Canned food	14,754	6,782	16,135	7,290	59,696	28,768	51,950	26,791	-	-
- Others	7,324	3,367	6,691	3,023	1,927	929	37,476	19,326	9,017	4,354
Total revenue	126,335	58,076	218,615	98,770	415,126	200,050	608,775	313,945	392,554	189,564
Segment results										
- Ready-to-serve food	17,207	7,910	36,603	16,537	100,147	48,261	151,342	78,047	100,747	48,650
- Frozen vegetables	6,285	2,889	32,109	14,507	12,741	6,140	30,238	15,594	24,094	11,635
- Canned food	3,194	1,468	3,922	1,772	19,227	9,265	13,534	6,979	-	-
- Others	1,485	683	2,134	964	707	341	19,215	9,909	4,595	2,219
Total segment results	28,171	12,950	74,768	33,780	132,822	64,007	214,329	110,529	129,436	62,504
Other gains	248	114	2,249	1,016	886	427	1,801	929	1,821	879
Unallocated costs *	(3,736)	(1,717)	(11,223)	(5,071)	(6,653)	(3,206)	(9,637)	(4,970)	(6,918)	(3,341)
Finance expenses	(32)	(15)	(475)	(215)	(558)	(269)	(260)	(134)	(369)	(178)
Profit before taxation	24,651	11,332	65,319	29,510	126,497	60,959	206,233	106,354	123,970	59,864
Taxation	(9,116)	(4,191)	(23,270)	(10,513)	(31,587)	(15,222)	(52,601)	(27,126)	(31,285)	(15,108)
Profit after taxation	15,535	7,141	42,049	18,997	94,910	45,737	153,632	79,228	92,685	44,756
Other segment information:-										
Depreciation and amortisation	1,978	910	2,591	1,170	2,738	1,319	3,816	1,968	2,333	1,127
Capital expenditure **	39,762	18,278	28,609	12,926	16,957	8,171	10,437	5,382	2,482	1,199

* Unallocated costs represent corporate expenses.

** Capital expenditure comprises additions to property, plant and equipment and intangible assets.

(b) Geographical segments

The Group's revenue is operated in geographical area including China, Japan, Europe and others.

FYE/ FPE	31/12/2006		31/12/2007		31/12/2008		31/12/2009		30/06/2010	
	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000	RMB'000	RM'000
China	63,228	29,066	149,170	67,395	390,072	187,976	561,891	289,767	364,363	175,951
Japan	56,969	26,189	63,309	28,603	18,063	8,705	45,270	23,346	27,472	13,266
Europe	4,138	1,902	4,186	1,891	6,991	3,369	1,412	728	603	291
Others	2,000	919	1,950	881	-	-	202	104	116	56
Total revenue	126,335	58,076	218,615	98,770	415,126	200,050	608,775	313,945	392,554	189,564

9. ACCOUNTANTS' REPORT (CONT'D)



14. SIGNIFICANT EVENTS SUBSEQUENT TO THE STATEMENT OF FINANCIAL POSITION DATE

Save for the implementation of the listing scheme as mentioned in Section 2, there were no significant events between the date of the last financial statements used in the preparation of the report and the date of the report which will affect materially the contents of this report.

15. AUDITED COMBINED FINANCIAL STATEMENTS

As at the date of this report, no audited combined financial statements of Sozo Group have been prepared in respect of any period subsequent to 30 June 2010.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'Jhy'.

UHY
Firm Number : AF1411
Chartered Accountants

A handwritten signature in black ink, appearing to be 'TEE'.

TEE GUAN PIAN
Approved Number: 1886/05/12 (J/PH)
Chartered Accountant

10. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT

(Prepared for inclusion in this Prospectus)

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Protégé
ASSOCIATES

BRAND | FINANCE | MARKET

18 November 2010

The Board of Directors
Sozo Global Limited
80 Robinson Road #17-02
Singapore 068898
Republic of Singapore

Dear Sirs,

Executive Summary of the Ready-to-serve Foods Industry in China

This Executive Summary of the Ready-to-serve Foods Industry in China is prepared by Protégé Associates Sdn. Bhd. ("Protégé Associates") for inclusion in the Prospectus of Sozo Global Limited ("Sozo" or "the Company") in relation to the proposed listing of and quotation for the entire issued and paid-up share capital of Sozo on the Main Market of Bursa Malaysia Securities Berhad.

Introduction to the Ready-to-serve Foods Industry

The Chinese economy has continued on an expansion trail by registering another impressive growth rate in 2009. Its national gross domestic products grew by 9.1 percent year-on-year in 2009 – helping to cement China's position as one of the world's economic powerhouses along with the United States ("US") and Japan. The growing national economy has also helped to spawn the growth in many of its local industries; including its ready-to-serve foods industry.

Ready-to-serve foods refer to foods that are pre-prepared or cooked meals that are pre-packed by food processors at their manufacturing plant. These ready-to-serve foods are value added products, where food processors aim to improve consumer satisfaction by easing consumers' meal preparation time.

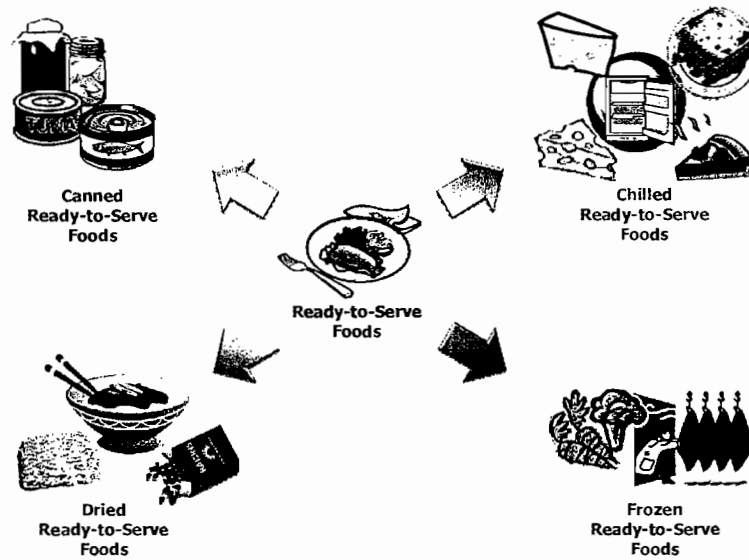
Ready-to-serve foods undergo extensive food processing methods before becoming an end product. For example, meats are first cut, diced or sliced, and then cooked or marinated by adding flavour profiles. Thereafter, the meat is packed and sold to consumers. Ready-to-serve foods fulfil consumers' need for convenience while providing

10. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT
 (CONT'D)



them with complete meals. The different types of ready-to-serve foods that are available in the market are canned, chilled, dried or frozen ready-to-serve foods as depicted in Figure 1.

Figure 1: Types of Ready-to-serve Foods



Source: Protégé Associates

Meanwhile, Figure 2 provides descriptions on the four types of ready-to-serve foods highlighted in Figure 1.

Figure 2: Descriptions on the Four Types of Ready-to-serve Foods

Types of Ready-to-serve Foods	Description
Canned	Processed foods which are packaged and sealed in cans
Chilled	Foods that have been prepared and refrigerated at a temperature of between 0 to 5 degree Celsius
Dried	Foods that have been pre-prepared and put through a dehydration process
Frozen	Foods that are usually fully cooked, kept at commercial freezing temperature of -18 to -24 degree Celsius and only need to be reheated by consumers prior to consumption

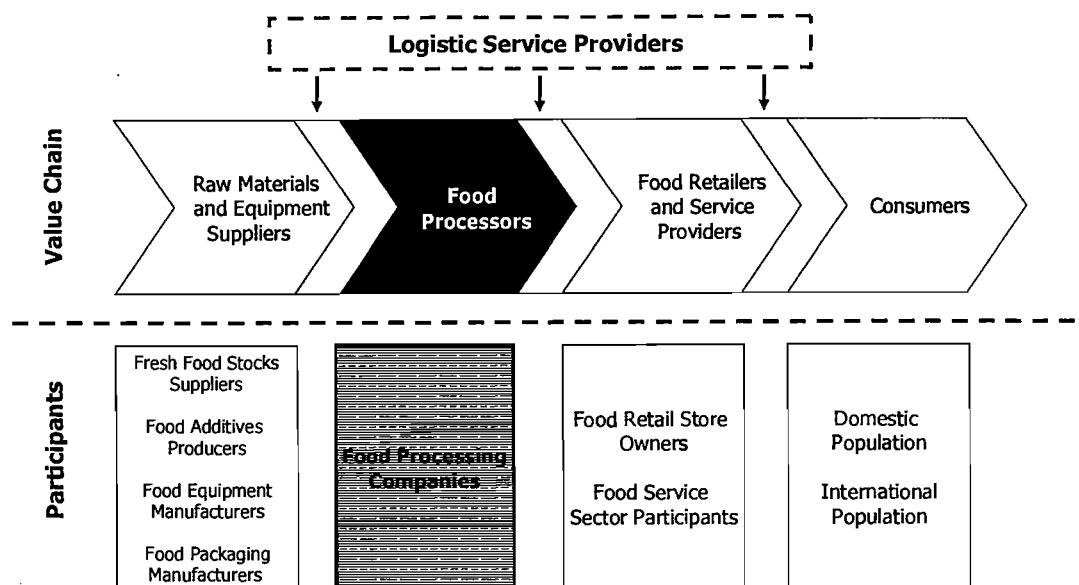
Source: Protégé Associates

10. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT
 (CONT'D)



The ready-to-serve foods industry is a direct participant in the value chain of the food processing industry as a food processor as depicted in Figure 3.

Figure 3: The Value Chain of the Food Processing Industry



Source: Protégé Associates

As a food processor, the industry is primarily responsible for adding value to raw agricultural produce by producing processed food products that meet the needs of consumers particularly through safety, hygiene and food preparation methods.

Overview of the Ready-to-serve Foods Industry in China

The Chinese food processing industry, including the ready-to-serve foods industry plays a major role in strengthening the country’s food security and self-sufficiency by adding the necessary value to its raw agriculture commodities. The value-added of China’s food-related manufacturing industries, including the ready-to-serve foods industry have shown marked improvements in recent years.

Figure 4: Growth Rate of Value-added of Industry by Food-related Manufacturing Industries in China, 2008

Industries	Annual Growth (%)
Processing of food from agricultural products	15.0
Manufacture of foods	16.4
Manufacture of beverages	16.1

Source: National Bureau of Statistics of China

10. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT
 (CONT'D)



China’s ready-to-serve foods industry has made its presence felt in both the local and international markets. Domestically, ready-to-serve foods can be found in most local retail outlets, and are quickly growing in popularity. In international markets, Chinese ready-to-serve foods industry players are steadily penetrating export markets such as Japan, Korea, US and the EU indirectly through their participation in original equipment manufacturing (“OEM”) activities for foreign customers and directly by marketing their brand’s products overseas. This development highlights the adaptability of local industry players in coping with the ever-changing needs and lifestyles of modern consumers.

The manufacturing activities of ready-to-serve foods in China are concentrated in areas which are strong agriculture production bases such as Shandong, Henan and Jiangsu Provinces. The concentration of ready-to-serve food industry players in these areas is understandable given the vast benefits derived from their close proximity to their suppliers such as consistency in raw material supply, operational cost savings and shorter production lead time.

Incidentally, some of these strong agriculture production bases are located in coastal areas and house some of the major seaports in China. Industry players in the ready-to-serve foods industry that are actively participating in the international market can also be found here. For examples, Shandong Province, a major agriculture production base in China, houses major seaports such as the one in Qingdao. Its close proximity to key export markets in the fellow East Asian region such as Japan and Korea also make it an ideal manufacturing hub for industry players intending to penetrate into these markets. They stand to enjoy the same benefits derived from close proximity to suppliers.

Meanwhile, investments have continued to pour into the food manufacturing-related industries which include the ready-to-serve foods industry in China – underlining the confidence in their growth prospects.

Figure 5: Investment in Fixed Assets of Food-related Manufacturing Industries in China, 2009

Industries	Investment (100 million Yuan)	Growth Rate over the Same Period of the Previous Year (%)
Processing of food from agricultural products	2,826.23	38.2
Manufacture of foods	1,512.81	32.4
Manufacture of beverages	1,068.76	22.4

Source: National Bureau of Statistics of China

10. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT
 (CONT'D)



On the supply side, the Chinese agriculture sector represents a most vital supporting link to the production of ready-to-serve foods. The agriculture sector is the foremost supplier to the market, providing raw agricultural produce such as livestock, seafood, vegetables and grains to food processors. Based on the statistics released by the National Bureau of Statistics of China, the gross output value of farming, forestry, animal husbandry and fishery in China exceeded 5 trillion Yuan in 2008. Given the strong contribution from the local agriculture sector, it is unsurprising that the country has been able to achieve self-sufficiency in food production for domestic consumption and downstream processing. Various key agricultural products such as vegetables, fruits, fish and seafood products, poultry meats can be sourced locally. In other words, the industry players in the ready-to-serve foods industry have critical access to the required raw materials with minimal dependency on imports.

As for demand, food is a necessity for all consumers, although the types of ready-to-serve foods may vary from one consumer to the other. Reaching customers through distribution networks is vital to the ready-to-serve foods industry's success. Various distribution channels from large chain retailers e.g. supermarkets and hypermarkets, as well as smaller convenience stores help bring brand visibility and awareness to consumers. The major players in the distribution of processed food in China are the food retailers and service providers. Figure 6 depicts the basic conditions of chain retail enterprises by business categories in China for 2008.

Figure 6: The Basic Conditions of Chain Retail Enterprises by Business Categories in China, 2008

Indicators	Number of Stores (unit)	Operational Area (10,000 square metres)	Engaged Persons (10,000 persons)
Convenience Store	16,196	184.2	9.79
Discount Store	784	22.5	0.94
Supermarket	30,240	1,959.4	41.97
Hypermarket	8,072	1,324.9	35.82
Warehouse Club	331	44.0	1.31
Department Store	3,805	1,110.4	18.53
Specialty Store	93,656	5,111.2	74.48
Gas Station	27,361	3,412.7	23.88
Franchise Store	14,651	319.6	12.42
Building Material Store	116	94.9	1.22
Factory Outlets Centre	50	6.5	0.04
Other Store	601	20.3	0.57

10. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)



Indicators	Number of Stores (unit)	Operational Area (10,000 square metres)	Engaged Persons (10,000 persons)
Total	168,502	10,197.8	197.08

Source: National Bureau of Statistics of China

Meanwhile, Figure 7 depicts the basic conditions of chain catering enterprises by business categories in China for 2008.

Figure 7: The Basic Conditions of Chain Catering Enterprises by Business Categories in China, 2008

Indicators	Number of Stores (unit)	Operational Areas (10,000 square metres)	Engaged Persons (10,000 persons)
Restaurant	4,898	393.2	31.70
Fast Food	5,932	200.3	30.47
Tea Shop	19	0.5	0.03
Café	705	29.4	1.63
Others	1,007	28.4	2.25
Total	12,561	651.9	66.07

Source: National Bureau of Statistics of China

Overview of the Japanese Ready-to-Serve Foods Industry

Due to factors such as geographical proximity and good bilateral trade ties between China and Japan, the Japanese market has been of growing importance as a key export destination for China's ready-to-serve foods.

Processed foods began coming into prominence in Japan at the turn of the 20th century, with freezing as the first prime method of processing seafood such as shrimp, fish, and shellfish. However, with the country's rapid modernisation upon the conclusion of World War II in 1945, food processing in Japan took on new heights and new meaning as Japanese society began becoming more accepting of Western culture in its arts, lifestyle and cuisine. Against the social backdrop of industrialisation and urbanisation, Japanese at large mandatorily changed their eating habits from traditional home-cooked meals which required hours of preparation to the convenience of eating out, taking out and preparing quicker meals using processed, pre-cooked ingredients. Society also began changing their cuisine preferences to favour more Western and Western-style foods.

Japan's market for ready-to-serve foods was kick-started by these societal changes, and was further accelerated by the Japanese government's initiatives in 1965 involving a

10. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT
 (CONT'D)



massive cold chain promotion programme. The initiative was aimed at improving the health and nutrition of its citizens, and streamlining the supply of food to optimise the country's agricultural resources. This exercise popularised fast-food style restaurants, as well as pre-cooked ready-to-serve foods, locally known as *nakashoku*. Ready-to-serve foods fit well into the government's cold chain promotion programme – portions could be optimally sized to reduce wastage, pre-processed ingredients guaranteed the optimisation of agricultural resources, and suitable nutrition levels of each meal could be manufacturer-controlled.

Since the 1970s, the ready-to-serve foods industry in Japan has continued to expand significantly as urbanisation persisted. The time-poor element of the modern Japanese's lifestyle has catalysed the popularity of "simplified eating", typified by *nakashoku* meals. Today, Japan is globally-renowned for its convenience lifestyle. The country is among the top three global consumers of ready-to-serve foods, alongside the US and EU economic region. The Japanese ready-to-serve foods industry is likely to grow by between 3-5 percent per annum from 2005 to 2010.

Industry Dynamics Scorecard for the Ready-to-Serve Foods Industry in China, 2009

Key Market Indicator	Measurement
Market Age	Growth
2009 Estimated Industry Size (billion Yuan)	236.44
2015 Estimated Industry Size (billion Yuan)	486.81
Forecast Period (2009-2015) Compound Annual Growth Rate ("CAGR") (%)	12.8
2009 Estimated Export Revenue (billion Yuan)	32.84
Price Sensitivity	Moderate
Degree of Technological Change	Medium
Degree of Competition	Highly Fragmented
Estimated Number of Industry Players	~1000 – 2000

Source: Protégé Associates

Estimated Industry Size for Sales of Chinese Ready-to-serve Foods, 2007-2015

Year	Industry Size (billion Yuan)	Growth Rate (%)
2007	188.64	-
2008	219.54	16.4

10. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)



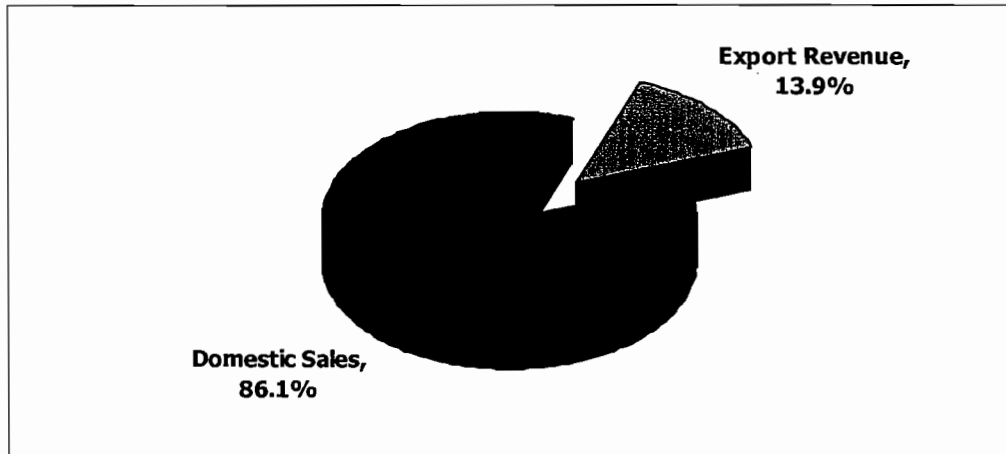
Year	Industry Size (billion Yuan)	Growth Rate (%)
2009	236.44	7.7
2010	260.79	10.3
2011	300.17	15.1
2012	340.69	13.5
2013	383.96	12.7
2014	432.34	12.6
2015	486.81	12.6

CAGR (2009 – 2015): 12.8 percent

Note: All figures are rounded; the base year is 2009.

Source: Protégé Associates

Estimated Breakdown of Domestic and Export Revenue for China's Ready-to-Serve Foods Industry, 2009



Source: Protégé Associates

Estimated Export Revenue Forecast for Chinese Ready-to-serve Foods Industry, 2007-2015

Year	Export Revenue (billion Yuan)	Growth Rate (%)
2007	28.78	-
2008	31.22	8.5
2009	32.84	5.2
2010	35.40	7.8
2011	39.61	11.9
2012	44.96	13.5

10. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT
 (CONT'D)



Year	Export Revenue (billion Yuan)	Growth Rate (%)
2013	52.24	16.2
2014	61.54	17.8
2015	72.49	17.8

CAGR (2009 – 2015): 14.1 percent

Note: All figures are rounded; the base year is 2009.

Source: Protégé Associates

Industry Drivers for the Chinese Ready-to-serve Foods Industry

- Changing eating habits caused by fundamental societal changes
- Modernisation of food retail distribution landscape
- Favourable government policies supporting rural area and agriculture sector development in China
- China’s growing national population
- Rising ownership of refrigerators in China

Industry Drivers for the Japanese Ready-to-serve Foods Industry

- Changing eating habits caused by fundamental societal changes
- Modernisation of food retail distribution landscape
- Uncompromised demand for high quality food in Japan

Industry Restraints for the Chinese Ready-to-serve Foods Industry

- Upward inflationary pressure from persistent high oil prices
- The effect of global warming on agricultural activities in China
- Rising labour costs in China

Industry Restraints for the Japanese Ready-to-serve Foods Industry

- Upward inflationary pressure from persistent high oil prices
- Public perception of safety in ready-to-serve foods in Japan
- Growing trend of eating out in Japan
- Perceived low nutrition benefit of ready-to-serve foods in Japan

10. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT
(CONT'D)



Competitive Structure in China's Ready-to-serve Foods Industry

China's ready-to-serve foods industry is highly fragmented, with industry players ranging from small to very large industry players numbering between 1,000 to 2,000 industry players. Larger industry players include major national food manufacturers whose operations are diversified among various provinces in China. Smaller industry players are scattered among China's agricultural provinces, producing and selling ready-to-serve foods in small amounts. All these players may also be involved in the production of other fresh or processed foods, with ready-to-serve foods representing only a fraction of their total output.

Given that the ready-to-serve foods industry in China is only at the growth stage, it is expected to become increasingly fragmented moving forward as the number of industry players proliferate at an increasing rate. Essentially, the industry players in this market can be divided into two tiers:

a) Tier-1

Tier-1 industry players typically consist of international industry players or joint ventures between domestic with international industry players. These industry players are typically well capitalised and have extensive distribution networks. However, their presence is most notably felt at major cities such as Shanghai Municipality and to a lesser extent, medium-sized cities such as Hangzhou in Zhejiang Province. Their products (which may include other fresh or processed foods beside ready-to-serve foods) are mostly located in chained retail enterprises particularly supermarkets and hypermarkets. The high costs related to distribution through chained retail enterprises are not a barrier to them as they generally have the financial muscle to promote their product offerings.

b) Tier-2

Tier-2 industry players are domestic industry players and owners of private labels. ***These players are often involved in other production of fresh or processed foods, condiments, with ready-to-serve foods representing a small part of their total revenue.*** The ability of Tier-2 players to leverage their vast local knowledge of the local ready-to-serve foods industry puts them in an advantageous position in terms of building strategic business relationships, complying with local laws and catering to the specific needs of local customers. Meanwhile, some of the more established Tier-2 industry players already have the confidence of exploring opportunities in the international market on their own and strive to be reputable

10. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT
(CONT'D)



global players. The market penetration level of their products is high across the nation particularly at rural areas. Hence, they are also able to serve in areas that are not targeted by Tier-1 industry players. An example of Tier-2 industry player is Rizhao Hengbao Foodstuffs Co., Ltd ("RHF").

Key Players Analysis

The followings are brief descriptions of selected major players in the Chinese ready-to-serve foods industry. However, ***the list of these major players is not exhaustive and each major player's product offerings may not be completely similar with each other.***

China Kangda Food Company Limited ("CKF")

CKF is based in Qingdao of Shandong Province and was listed on the Main Board of the Singapore Exchange Securities Trading Limited on 9 October 2006 and the Main Board of the Stock Exchange of Hong Kong Limited on 22 December 2008. According to CKF's annual report for 2009, its subsidiaries are principally involved in the production and trading of food products, breeding and sales of livestock, poultry and rabbits as well as planting and sales of vegetables. For its financial year ended 31 December 2009, CKF had registered a profit before tax of around 28.3 million Yuan against revenue of around 750.8 million Yuan. The revenue from its processed foods business segment accounted for 35.8 percent of its total revenue or 269.1 million Yuan.

China Yurun Food Group Limited ("CYF")

CYF was incorporated in 2005. It was listed on the Main Board of the Stock Exchange of Hong Kong Limited on 3 October 2005. CYF's headquarter is located at Nanjing of Jiangsu Province in China. It is an investment holding company with its subsidiaries being involved in the production of a wide range of pork-based products such as chilled pork and frozen pork as well as low temperature and high temperature meat products. For its financial year ended 31 December 2009, CYF recorded a profit before tax of around Hong Kong Dollar ("HKD") 1.89 billion against revenue of around HKD13.87 billion. The sales of processed meat products accounted for 23.7 percent of its total revenue or HKD3.29 billion.

10. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT
(CONT'D)



Haitong Food Group Co., Ltd (“HFG”)

HFG was founded in 1985 and listed on the Shanghai Stock Exchange in January 2003. The products that are produced by HFG include quick-frozen vegetable, dehydrated vegetable, canned fruit and vegetable, conditioned fruit and vegetable, preserved fruit and vegetable, concentrated juice and fresh vegetable.

In terms of financial performance, HFG had recorded a profit before tax of around 7.9 million Yuan against revenue of around 387.8 million Yuan for its financial year ended 31 December 2009.

Henan Shuanghui Investment and Development Co Ltd (“HSID”)

HSID is a public listed company on the Shenzhen Stock Exchange. It is based in Louhe of Henan Province in China. It is principally involved in the manufacture of processed meat products. In terms of financial performance, HSID had recorded a profit before tax of around 1.35 billion Yuan against revenue of around 28.35 billion Yuan for its financial year ended 31 December 2009.

People’s Food Holdings Limited (“PFHL”)

PFHL was founded in 1994 and is the owner of the brand name “Jinluo”. PFHL was listed on the Main Board of the Singapore Exchange Securities Trading Limited in March 2001. It is involved in the production, processing, marketing and distribution of processed meat products such as high and low temperature meat products, chilled fresh pork, frozen pork, pig’s by-products and frozen chicken. In addition, it also produces fresh pork. One of its subsidiaries is involved in pig farm operation. PFHL’s headquarter is located at Linyi of Shandong Province in China.

In terms of financial performance, PFHL managed to record a profit before tax of 176.1 million Yuan against revenue of around 10.50 billion Yuan for its financial year ended 31 December 2009.

Rizhao Hengbao Foodstuffs Co. Ltd. (“RHF”)

RHF was established in March 2005 and currently bases its operations in Ju County, Rizhao City, Shandong Province, China. It is primarily involved in the manufacture, packaging and marketing of ready-to-serve foods such as spring rolls and dumplings, frozen vegetables and fruits, vacuum fried foods, canned

10. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT
(CONT'D)



fruits and seafood and retorted foods. RHF is a HACCP and ISO 9001:2000 certified one-stop gourmet convenient food specialist and the largest cooked duck meat products exporter that targets the middle and high end market and focuses mainly in export markets including Japan, Korea, the EU and the US.

For its financial year ending 31 December 2009, RHF garnered revenues of 608.8 million Yuan, and profits before tax of 206.2 million Yuan.

Shanghai Maling Aquarius Co. Ltd ("SMA")

SMA is a public listed company on the Shanghai Stock Exchange. It manufactures canned foods using meats, vegetables, fish, fruit and fowl. It also produces flavouring products such as tomato ketchup and chilli sauce, frozen foods and cold beverages.

For its financial year ended 31 December 2009, SMA registered a loss before tax of around 135.1 million Yuan against revenue of around 1,983.1 million Yuan.

Synear Food Holdings Ltd ("SFHL")

SFHL was established in 1997 and was listed on the Main Board of the Singapore Exchange Securities Trading Limited on 18 August 2006. It is considered as one of the largest quick freeze food producers in China and is the owner of the brand name "Synear". Examples of its product offerings include savoury dumpling products, glutinous sweet dumpling products, glutinous rice dumpling products and specialty desserts and snacks. SFHL has plants in Zhengzhou City of Henan Province and Chengdu in Sichuan Province of China. In terms of financial performance, SFHL had managed to register a profit before tax of around 198.9 million Yuan against revenue of around 1.87 billion Yuan for its financial year ended 31 December 2009.

Quality and Safety Standards

Food quality and safety standards are one of the key concerns surrounding the international trade of food products. The increased level of technological processing applied to food products, as well as the changes in food transportation and storage methods have fuelled negative consumer perception regarding imported processed food. In recent years, questionable manufacturing processes and the use of potentially unsafe additives and preservatives to prolong the shelf life of processed food has somewhat

10. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT
(CONT'D)



dampened consumer's confidence in processed food manufactured in China. With food quality and safety concerns on the rise, it is hardly surprising that there is a strong presence of quality and safety related standards and regulations at both the local and international level for the food market.

Some of these standards and certifications are imposed on Chinese ready-to-serve foods industry players as compulsory standards. These include the Hazard Analysis Critical Control Points ("HACCP"), 'Quality Safety' ("QS") Authentication and Quick-frozen Food Industry Standard. There are also participants of the local ready-to-serve foods industry that undertake voluntary quality certifications such as ISO9001:2000 and ISO22000 standards. Such standards can be seen as an effort to exert more stringent control on the production processes as well as a measure to improve product marketability, especially in export markets.

QS Authentication

China's quality watchdog has announced that it is compulsory for all Chinese food enterprises to have a QS label on their food products with immediate effect from 1 January 2008 to gain market access. The QS authentication was initially brought into effect in April 2004 as part of the Chinese Government's initiative to bring about regulations to help resolve the increasing criticisms and concerns about the Chinese food industry and only imposed on selected food products. Some of the notable food products that require the QS authentication since then include wheat powder, rice, edible vegetable oil, soy sauce, vinegar, meat products, dairy products, sauces, canned or preserved foods and quick-frozen foods. Industry players in the ready-to-serve foods industry are only allowed to enter the market upon being granted QS authentication. Meanwhile, with the introduction of quick-frozen food industry standard in 1 June 2006, pre-packaged quick-frozen food is not allowed to be sold.

HACCP Standards

It is also important to note that the export-oriented ready-to-serve foods manufacturers may be required by the importing countries to obtain the necessary certification under the Hazard Analysis Critical Control Points ("HACCP"). HACCP in essence, is a set of principles used to help identify the hazards and the mitigating controls to help reduce risks in the production process. HACCP is a mandatory requirement for exports to EU and US. With the

10. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT
(CONT'D)



mandatory HACCP requirements, the consumer can look forward to better quality in products and production processes. This development is in line with the rising concern on the safety and quality of food products.

ISO9001:2000 and ISO22000 Standards

The ISO9001:2000 Quality Management Systems Standard is an international standard developed by the International Organisation for Standardisation that promotes the adoption of a process approach when developing, implementing and improving the effectiveness of a quality management system. It is aimed at enhancing customer satisfaction by meeting customer requirements. The ISO22000 Food Safety Management Systems Standard is a general derivative of ISO9000 dealing specifically with food safety. Food safety is linked to the presence of food-borne hazards in food at the point of consumption. Since food safety hazards can occur at any stage of the food chain it is essential that adequate control be put in place as, a concerted effort of all parties in the food chain. The ISO 22000 international standard specifies the requirements for a food safety management system that involves the following elements:

- interactive communication
- system management
- prerequisite programmes
- HACCP principles

Examples of Government Regulation and Policy that are related to Ready-to-serve Foods Industry

The Chinese Government has reiterated its commitment to regulate, improve and promote the local food industry by introducing as well as reinforcing a number of regulations and policies. Such a move is timely to restore the integrity of its food industry in the face of safety and quality issues surrounding China-made food products in recent times.

Government Food Export Regulations

In order to supervise exported food products, the Chinese Government introduced the export-food safety management framework ("Framework"). This Framework forms the 'one pattern and ten systems' which adheres to the

**10. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT
(CONT'D)**



'prevention first, supervision at the source and control throughout the process' principle. The ten systems are divided into four categories namely:

1) Three systems for supervision at the source

This covers the archiving management systems for inspection and quarantine for planting and breeding bases, epidemic disease monitoring as well as the supervisory system for pesticide and veterinary medicine residue

2) Three systems for factory supervision

This covers the hygiene registration system, classified management system for enterprises and the resident quarantine official system for large enterprises producing high-risk food for export

3) Three systems for product supervision

This covers the legal inspection and the quarantine system for export food, system of quality tracing and sub-standard products recalling as well as the early risk warning and quick response system

4) One system for credit building

This covers the red list as well as a blacklist for food export enterprises.

The introduction of the Framework was brought about as a result of China's recent situation in the exported food products industry. The introduction of the Framework basically guarantees the quality of exported food products and while assisting enterprises in penetrating into the international market.

In February 2009, the Food Safety Law was passed by the National People's Congress to strengthen regulatory food safety control from the production line to the dining table. This is done to address issues related to food production, processing, delivery, storage and sales. The draft law also covers food safety evaluation, monitoring, recall as well as the release of information for foods.

In addition, China has also implemented a strict supervision and monitoring regime for all food exports. Companies who are involved in processing and packaging of exported foods have to be registered with the Chinese Government and only companies which register with the quality supervision and quarantine agencies are allowed to supply raw materials to exported foods manufacturers. Food manufacturers would also have to undergo hygiene registration to ensure that they are operating according to the standards. Some processed agricultural

10. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT
(CONT'D)



exports like canned or preserved food, seafood meat as well as frozen vegetables have to be produce utilising the HACCP-type systems.

Other Government Regulation Examples

China’s Food Hygiene Law, promulgated in October 1995 stipulates that all food manufacturers must obtain a Food Hygiene Permit in order to commence its business. The Food Hygiene Law is aimed at preventing food pollution and guaranteeing consumers’ health. It governs the hygiene requirements for food, food additives, food containers, packaging materials, tools, equipment, detergents, disinfectants, production and operation place, facilities, and relevant environments. The law also makes provisions for the necessary procedures, personnel and production environment required to ensure food hygiene. Other related government regulations include China’s Regulations for the Implementation of Food Safety Law as well as Dairy Quality and Safety Supervision and Management Regulations.

China’s Environmental Protection Law, promulgated in December 1989 by the Department of Environmental Protection sets out national guidelines for the discharge and disposal of industrial pollutants. The law stipulates that companies which cause environmental pollution, or discharges pollutants that endanger the public should implement environmental protection methods and procedures to prevent hazards such as waste gases, water and residues, radioactive materials, excessive noise, and other activities endangering the public or the environment. The environmental protection system should be on-going, and any discharge of pollutants must be registered with the government. The law was put in place to ensure environmental sustainability alongside strong economic and industrial growth in China.

Threat of Substitutes

Ready-to-serve foods compete with other categories of foods within the food processing industry as well as fresh foods to become consumers’ food of choice. Nevertheless, for the majority of customers, one food category is not an *absolute* substitute for the others; consumers usually consume a mix of fresh and processed foods, and not exclusively those from a single category. However, the mix of foods consumed varies among individual consumers, depending on their preferences, lifestyle, preferred preparation methods and purchasing power.

10. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT
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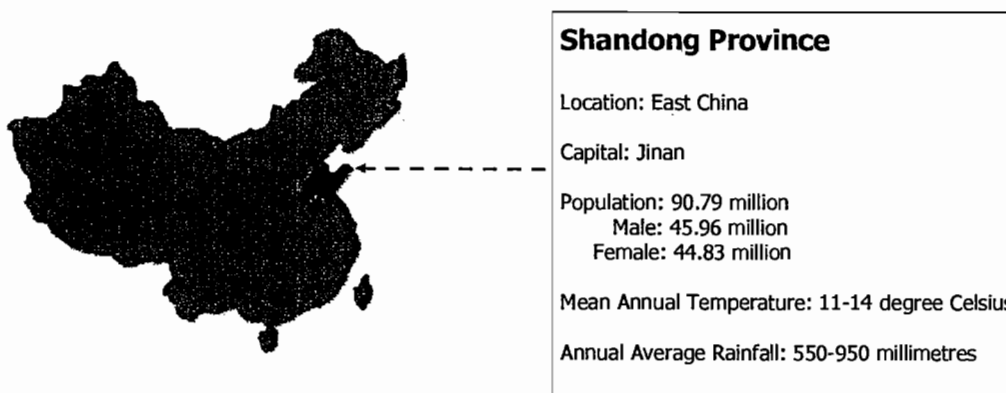


Overview of the Ready-to-serve Foods Industry in Shandong

Given the province's background as a major agriculture production base in China, Shandong persists as an important contributor to China's food output and national food security. Similarly, Shandong's ready-to-serve foods industry continues to be a substantial contributor to China's national output of ready-to-serve foods. The said industry in Shandong has been thriving, and is anticipated to continue growing against the backdrop of a strong, robust economy, as well as favourable demand and supply forces.

Shandong Province is located in East China and has an estimated population of 90.8 million people based on the statistics from the fifth national population census conducted in 2000.

Figure 8: A Snapshot of Shandong Province



Note: The population data are taken from the fifth national population census that was conducted in 2000.

Sources: China Internet Information Centre and Protégé Associates

Shandong Province is considered as one of China's economic powerhouses. It ranked second in China in terms of gross regional product ("GRP"), trailing only Guangdong Province. In 2008, the GRP of Shandong Province was more than 3 trillion Yuan – making it one of only three provinces in China that had managed to breach this mark. With a booming economy, the ready-to-serve foods industry in Shandong can look forward to sustained demand for its products as the amount of per capita disposable income and consumer sentiment improve in tandem with economic growth.

Shandong Province managed to record 14.9 percent in growth rate of value added of industry in 2009 – an encouraging sign that it is striving to move up the industry value chain. Shandong Province has also been an attractive investment destination, underlying the level of confidence in its economical development potential. Shandong Province

10. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT
 (CONT'D)



received around 1.54 trillion Yuan in fixed asset investments in 2009 – the highest in the eastern region of China.

A booming economy, increasing value-added in industry and continuing inflows of investment in Shandong Province have provided the ideal macroeconomic environment for growth among ready-to-serve foods industry players. It fuels optimism among the business communities as well as boosts consumer sentiment in the province.

Industry Dynamics Scorecard for the Ready-to-Serve Foods Industry in Shandong Province, 2009

Key Market Indicator	Measurement
Industry Age	Growth
2009 Estimated Industry Size (billion Yuan)	14.56
2015 Estimated Industry Size (billion Yuan)	30.39
Forecast Period (2009-2015) Compound Annual Growth Rate ("CAGR") (%)	13.0
2009 Estimated Export Revenue (billion Yuan)	2.08
Price Sensitivity	Moderate
Degree of Technological Change	Medium
Degree of Competition	Highly Fragmented
Estimated Number of Industry Players	~300 – 500

Source: Protégé Associates

Estimated Industry Size for Sales of Shandong Province's Ready-to-serve Foods, 2007-2015

Year	Industry Size (billion Yuan)	Growth Rate (%)
2007	11.71	-
2008	13.54	15.6
2009	14.56	7.5
2010	15.91	9.3
2011	17.82	12.0
2012	20.30	13.9
2013	23.18	14.2
2014	26.54	14.5
2015	30.39	14.5

CAGR (2009 – 2015): 13.0 percent

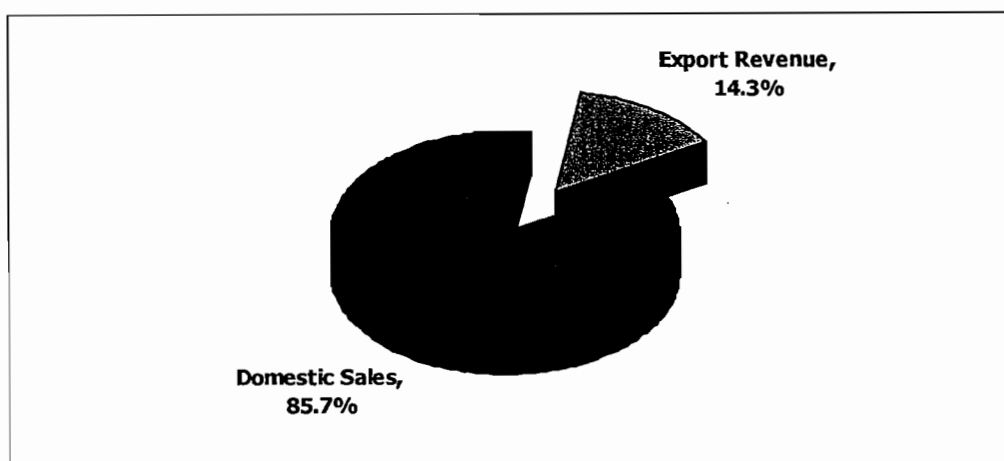
Note: All figures are rounded; the base year is 2009.

Source: Protégé Associates

10. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT
 (CONT'D)



Estimated Breakdown of Domestic and Export Revenue for Shandong Province's Ready-to-Serve Foods Industry, 2009



Source: Protégé Associates

Estimated Export Revenue Forecast for the Shandong Province's Ready-to-serve Foods Industry, 2007-2015

Year	Export Revenue (billion Yuan)	Growth Rate (%)
2007	1.93	-
2008	2.01	4.1
2009	2.08	3.5
2010	2.21	6.3
2011	2.44	10.4
2012	2.77	13.5
2013	3.15	13.7
2014	3.62	14.9
2015	4.18	15.6

CAGR (2009 – 2015): 12.3 percent

Note: All figures are rounded; the base year is 2009.

Source: Protégé Associates

Rizhao Hengbao Foodstuffs Co., Ltd. ("RHF")

RHF was established in March 2005 and currently bases its operations in Qingdao City, Shandong Province, China. It is primarily involved in the manufacture, packaging and marketing of ready-to-serve foods such as spring rolls, and dumplings, frozen vegetables and fruits, vacuum fried foods, canned fruits and seafood and retorted foods. RHF is a HACCP and ISO 9001:2000 certified one-stop gourmet convenient food specialist and the

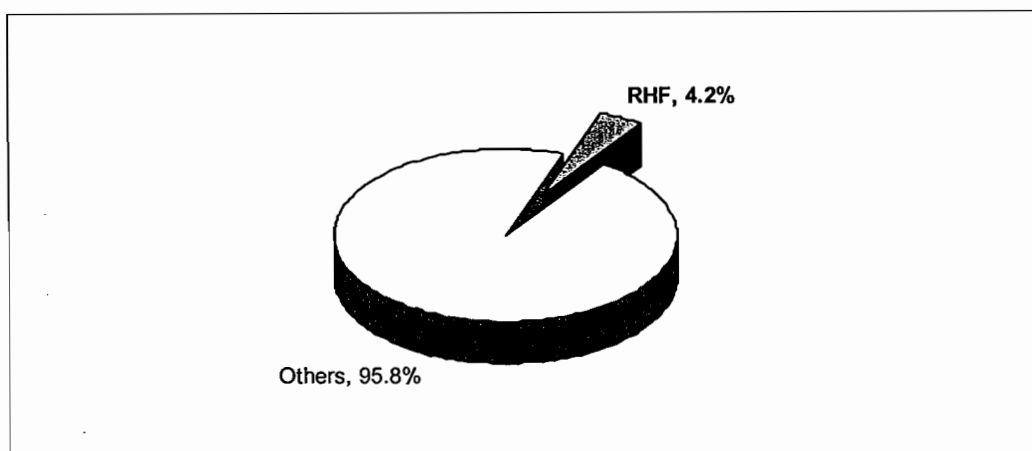
10. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT
(CONT'D)



largest cooked duck meat products exporter that targets the middle and high end market and focuses mainly in export markets including Japan, Korea, the EU and the US.

For its financial year ending 31 December 2009, RHF garnered revenues of 608.8 million Yuan, and profits before tax of 206.2 million Yuan. RHF captured an estimated market share of 4.2 percent of Shandong Province's ready-to-serve foods industry in 2009.

Estimated Market Share of RHF in Shandong Province's Ready-to-Serve Foods Industry, 2009



Source: Protégé Associates

Industry Outlook

Looking ahead, the ready-to-serve foods industry players located in Shandong Province have many reasons to be optimistic about their growth prospects. The economic fundamentals in Shandong Province have been consistently strong, spurred by a growing economy and continued influx of investments. There has also been a concerted effort by the province's industries – including the ready-to-serve foods industry – to move up the industry value chain, indicating further, higher value growth opportunities in the future. Given that the province is a major agricultural production base, they can also look forward to a steady supply of fresh raw materials.

Additionally, the distribution networks available in Shandong Province are already well established, facilitating the progressive penetration of ready-to-serve food brands into both local and international markets. Ready-to-serve food exporters can look forward to leveraging Shandong Province's strategic location to enter two of China's premier food export markets: Japan and South Korea.

10. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT
(CONT'D)

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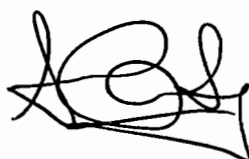
From a national perspective, Shandong Province's ready-to-serve foods industry is expected to be affected by the same market dynamics factors influencing the national ready-to-serve foods industry. Moving forward, Shandong Province's ready-to-serve foods industry is expected to be driven by China's rapid modernisation, as well as the nation's booming economy.

Meanwhile, the growth of Shandong Province's ready-to-serve foods industry could be stifled by industry restraints pertaining to upward inflationary pressure from persistent high oil prices. In order to continue growing, Shandong Province's ready-to-serve foods industry players have to be attentive and responsive to major industry trends such as the global concern for food quality and safety as well as changing consumer trends. Ready-to-serve foods manufacturers in Shandong Province have to be receptive of these dynamic consumer trends that may lead to changes in food consumption patterns. Changing their product offering and marketing strategy in line with these trends will ensure industry players' relevance in a fast-evolving consumer market.

Protégé Associates has prepared this report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a true and fair view of the industry within the boundaries and limitations of secondary statistics, primary research and continued industry movements. Our research has been conducted to present a view of the overall industry and may not necessarily reflect the performance of individual companies in this industry. We are not responsible for the decisions and/ or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies.

Thank you.

Yours sincerely,



SEOW CHEOW SENG
Managing Director
Protégé Associates Sdn. Bhd.

11. DIRECTORS' REPORT

(Prepared for inclusion in this Prospectus)

SOZO GLOBAL LIMITED

(Company Registration Number: 200608505W)
(Incorporated in the Republic of Singapore)
80 Robinson Road #17-02 Singapore 068898

Date: 18 November 2010

The Shareholders of
Sozo Global Limited ("Sozo" or the "Company")

Dear Sir/Madam,

On behalf of the Board of Directors of Sozo ("**Board**"), I wish to report after due enquiries by the Board that between the period from 30 June 2010 (being the date to which the last audited financial statements of the Company and its subsidiary ("**Group**") have been made up) to the date of this letter (being a date not earlier than fourteen (14) days before the date of issuance of this Prospectus), that:-

- (a) The business of our Group has, in the opinion of the Board, been satisfactorily maintained;
- (b) In the opinion of the Board, no circumstances have arisen since the last audited financial statements of our Group which have adversely affected the trading or the value of the assets of our Group;
- (c) The current assets of our Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) No contingent liabilities have arisen by reason of any guarantees or indemnities given by our Group;
- (e) There have been, since the last audited financial statements of our Group, no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings, in which the Board is aware of; and
- (f) Save as disclosed in this Prospectus, there have been, since the last audited financial statements of our Group, no material changes in the published reserves or any unusual factors affecting the profits of our Group.

Yours faithfully,
For and on behalf of the Board
SOZO GLOBAL LIMITED

SHEN HENGBAO
Chief Executive Officer



12. OTHER GENERAL INFORMATION

12.1 SHARE CAPITAL

- (i) No securities will be allotted or issued on the basis of this Prospectus later than twelve (12) months after the date of issue of this Prospectus.
- (ii) As at LPD, neither our Company nor our subsidiary have any capital that is under option, or agreed conditionally or unconditionally to be put under option.
- (iii) There is currently no scheme involving our employees in the capital of our Company or our subsidiary.

12.2 ARTICLES OF ASSOCIATION

The following provisions are extracts from our Articles of Association save for the capitalised terms which have been expressly defined in this Prospectus.

12.2.1 Transfer of Securities

The extracts of provisions in our Articles of Association in respect of transfer of securities are as follows:-

Article 29(a)

The transfer of any listed security or class of listed security of the Company shall be by way of book entry in the Securities Account of a Depositor by the Bursa Depository in accordance with the Rules and subject to any exemption that may be made from such compliance by the Listing Requirements or the Rules (with respect to transfer of Deposited Security), the Company shall be precluded from registering and effecting any transfer of listed securities deposited with the Bursa Depository.

Article 29(b)

Subject to the Articles of Association of the Company, securities not deposited with the Bursa Depository shall be transferable by the registered holders thereof by transfer in writing in the form for the time being prescribed by the Singapore Companies Act. The instrument of transfer of any share shall be signed by or on behalf of the transferor and be witnessed. The transferor shall remain the holder of the shares concerned until the transfer is registered and the name of the transferee is entered in the Register of Members of the Company in respect thereof.

Article 30(a)

In the case of shares not deposited with the Bursa Depository:-

- (I) there shall be no restriction on the transfer of fully paid up shares (except where required by law or the Listing Requirements and/or bye-laws governing the Exchange) but the Directors may in their discretion decline to register any transfer of shares upon which the Company has a lien and in the case of shares not fully paid up, may refuse to register a transfer to a transferee of whom they do not approve Provided Always That in the event of the Directors refusing to register a transfer of shares, they shall within ten (10) Market Days beginning with the day on which the application for a transfer of shares was made, serve a notice in writing to the applicant stating the facts which are considered to justify the refusal as required by the Statutes;

12. OTHER GENERAL INFORMATION (CONT'D)

- (II) the Directors may in their sole discretion refuse to register any instrument of transfer of shares unless:-
- (i) such fee not exceeding S\$2.00 as the Directors may from time to time require pursuant to Article 30(a)(V) of the Articles of Association of the Company, is paid to the Company in respect thereof;
 - (ii) the amount of proper duty (if any) with which each instrument of transfer is chargeable under any law for the time being in force relating to stamps is paid;
 - (iii) the instrument of transfer is deposited at the registered office of the Company or at such other place (if any) as the Directors may appoint accompanied by a certificate of stamp duty (if any), the certificates of the shares to which the transfer relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do; and
 - (iv) the instrument of transfer is in respect of only one class of shares;
- (III) if the Directors refuse to register a transfer of any shares, they shall within ten (10) Market Days after the date on which the transfer was lodged with the Company send to the transferor and the transferee notice of the refusal as required by the Statutes;
- (IV) all instruments of transfer which are registered may be retained by the Company, but any instrument of transfer which the Directors may decline to register shall be returned to the person depositing the same except in case of fraud; and
- (V) there shall be paid to the Company in respect of the registration of any instrument of transfer or probate or letters of administration or certificate of marriage or death or stop notice or power of attorney or other document relating to or affecting the title to any shares or otherwise for making any entry in the Register of Members of the Company affecting the title to any shares such fee not exceeding S\$2.00 as the Directors may from time to time require or prescribe.

Article 30(b)

In the case of Deposited Security, the Bursa Depository may refuse to register any transfer of the Deposited Security that does not comply with the Central Depositories Act and Rules.

12. OTHER GENERAL INFORMATION (CONT'D)

Article 30(c)

Neither the Company nor its Directors nor any of its officers shall incur any liability for registering or acting upon a transfer of shares apparently made by sufficient parties, although the same may, by reason of any fraud or other cause not known to the Company or its Directors or other officers, be legally inoperative or insufficient to pass the property in the shares proposed or professed to be transferred, and although the transfer may, as between the transferor and transferee, be liable to be set aside, and notwithstanding that the Company may have notice that such instrument of transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee or the particulars of the shares transferred, or otherwise in defective manner. And in every such case, the person registered as transferee, his executors, administrators and assigns alone shall be entitled to be recognised as the holder of such shares and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto. Provided Always That the exclusion of liability under this Article 30(c) of the Articles of Association of the Company shall not apply where the transfer of shares is effected pursuant to or in accordance with any instructions given by the Company.

Article 30(d)

Neither the Company nor its Directors nor any of its officers shall be liable for any transfer of Deposited Securities effected by the Bursa Depository save in respect of transfer(s) of Deposited Securities effected pursuant to or in accordance with any instructions received by the Bursa Depository from the Company.

Article 31

The Register of Members of the Company may be closed at such times and for such period as the Directors may from time to time determine Provided Always That such Register shall not be closed for more than thirty (30) days in any year or such other number of days as may be prescribed by the Exchange. Provided Always That the Company shall do all things as may be required by the Exchange and the Bursa Depository and, without prejudice to the generality of the foregoing, shall give prior notice of such closure as may be required to the Exchange, stating the period and purpose or purposes for which the closure is made. In relation to the closure, the Company shall give written notice in accordance with the Rules to prepare the appropriate Record of Depositors.

12.2.2 Remuneration of Directors

The extracts of provisions in our Articles of Association in respect of remuneration of Directors are as follows:-

Article 100

The ordinary fees of the Directors shall from time to time be determined by an ordinary resolution of the Company and shall not be increased except pursuant to an ordinary resolution passed at a general meeting where notice of the proposed increase shall have been given in the notice convening the general meeting and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, or failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such fees is payable shall be entitled only to rank in such division for a proportion of fees related to the period during which he has held office.

12. OTHER GENERAL INFORMATION (CONT'D)

Article 101(a)

Any Director who holds any executive office, or who serves on any committee of the Directors, or who otherwise performs services which in the opinion of the Directors are outside the scope of ordinary duties of a Director, may be paid such extra remuneration by way of salary, commission or otherwise as the Directors may determine.

Article 101(b)

The fees (including any remuneration under Article 101(a) of the Articles of Association of the Company) in the case of a Director other than an executive Director shall be payable by a fixed sum and shall not at any time be by commission on or a percentage of the profits or turnover, and no Director whether an executive Director or otherwise shall be remunerated by a commission on or a percentage of turnover.

Article 101(c)

An alternate director shall not be entitled to receive from the Company in respect of his appointment as alternate Director any fees except only such part (if any) of the fees otherwise payable to his principal as such principal may by notice in writing to the Company from time to time direct.

Article 102

The Directors shall also be reimbursed for all travelling, hotel and other expenses properly and reasonably incurred by them in the execution of their duties including any such expenses incurred and reasonable allowances in connection with their attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Company or in connection with the business of the Company.

Article 132

Any Director may act by himself or through his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director, Provided Always That nothing herein contained shall authorise a Director or his firm to act as auditor of the Company.

Article 143

The remuneration of a Managing Director or Chief Executive Officer or President (or person holding an equivalent position) shall from time to time be fixed by the Directors and may, subject to the Articles of Association of the Company, be by way of salary or commission or participation in profits or by any or all these modes but he shall not under any circumstances be remunerated by a commission on or a percentage of turnover.

12. OTHER GENERAL INFORMATION (CONT'D)

12.2.3 Voting and Borrowing Powers of Directors

The extracts of provisions in our Articles of Association dealing with voting and borrowing powers of Directors, including voting powers on proposals, arrangements or contracts in which they are interested, are as follows:-

Article 126

Subject to the Articles of Association of the Company, questions arising at any meeting of Directors shall be decided by a majority of votes, each Director having one (1) vote and a determination by a majority of Directors shall for all purposes be deemed a determination of the Directors. In case of an equality of votes, the Chairman of the meeting shall have a second or casting vote except where only two (2) Directors are present and form the quorum or when only two (2) Directors are competent to vote on the question in issue.

Article 113

Subject to the Statutes, the Listing Requirements and the Articles of Association of the Company:-

- (a) The Directors may exercise all powers of the Company to borrow or raise from time to time for the purpose of the Company or secure the payment of such sums as they think fit and may secure the repayment or payment of such sums by mortgage or charge upon all or any of the undertaking, property, assets or uncalled capital of the Company or its subsidiaries or by issue of debentures and other securities or otherwise as they may think fit.
- (b) Notwithstanding the preceding Article 113(a) of the Articles of Association of the Company, the Directors shall not borrow any money or mortgage or charge any of the Company's or subsidiary's undertaking, property or any uncalled capital, or issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party unless otherwise permitted under the Singapore Companies Act or the Listing Requirements.
- (c) Any debenture, debenture stock, bonds or other securities may be issued at discount, premium or otherwise and with any special privileges as to redemption, surrender, drawings, allotment of shares, attending and voting at general meetings of the Company, appointment of Directors and otherwise.

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12. OTHER GENERAL INFORMATION (CONT'D)

Article 114

Subject to the provisions of the Singapore Companies Act and the Listing Requirements, the Directors (which for the purposes of Article 114 of the Articles of Association of the Company shall include the chief executive officer, the chief operating officer, the chief financial controller or any other person primarily responsible for the operations or financial management of the Company, by whatever name called) shall not acquire or dispose of an undertaking or property of a substantial value or dispose of a substantial portion of the Company's undertaking or property without the approval of the Company in general meeting, and:-

- (a) as long as the Company is listed on the Exchange, the term "substantial value" or "substantial portion" shall mean the same value prescribed by the provisions in the Listing Requirements:-
 - (i) which relates to acquisitions or disposal by a company or its subsidiaries to which such provisions applies; and
 - (ii) which would require the approval of shareholders at a general meeting in accordance with the provisions of the Listing Requirements; and
- (b) if the Company ceases to be listed on the Exchange, an undertaking or property shall be considered to be of a substantial value and a portion of the Company's undertaking or property shall be considered to be a substantial portion if:-
 - (i) its value exceeds twenty-five (25) per cent of the total assets of the Company;
 - (ii) the net profits (after deducting all charges except taxation and excluding extraordinary items) attributed to it amounts to more than twenty five (25) per cent of the total net profit of the Company; or
 - (iii) its value exceeds twenty-five (25) per cent of the issued share capital of the Company,whichever is the highest.

Article 114A

Subject to the provisions of the Singapore Companies Act and the Listing Requirements, a Director or a officer of the Company shall not, without the ratification of a general meeting:-

- (a) use the property of the Company;
- (b) use any information acquired by virtue of his position as a Director or officer of the Company;
- (c) use his position as such Director or officer;
- (d) use any opportunity of the Company which he became aware of, in the performance of his functions as the Director or officer of the Company; or

12. OTHER GENERAL INFORMATION (CONT'D)

- (e) engage in business which is in competition with the Company, to gain directly or indirectly, a benefit for himself or any other person, or cause detriment to the Company.

Article 127

A Director who is in any way, whether directly or indirectly, interested in a transaction or proposed transaction with the Company shall declare the nature of his interest at a meeting of the Directors in accordance with the Singapore Companies Act. A Director shall not vote in respect of any contract or proposed contract or arrangement or any other proposal whatsoever in which he has any personal material interest, directly or indirectly, but such Director shall be counted only to make the quorum at a meeting in relation to any resolution on which he is debarred from voting. Notwithstanding the above, a Director shall not be deemed to be interested or to have been at any time interested in any transaction or proposed transaction by reason only:-

- (a) in a case where the transaction or proposed transaction relates to any loan to the Company – that he has guaranteed or joined in guaranteeing the repayment of the loan or any part of the loan; or
- (b) in a case where the transaction or proposed transaction has been or will be made with or for the benefit of or on behalf of a corporation which by virtue of the Singapore Companies Act is deemed to be related to the Company – that he is a director of that corporation.

Article 128

Subject to the provisions of the Singapore Companies Act, the Listing Requirements and the Articles of Association of the Company, no Director shall be disqualified from contracting with the Company either as vendor, purchaser or otherwise, nor shall any such contract or arrangement entered into by or on behalf of the Company with any company or partnership of or in which any Director shall be a member or otherwise interested be avoided nor shall any Director so contracting or being such member or so interested be liable to account to the Company for any profit realized by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relation thereby established but the nature of his interest must be disclosed by him at the meeting of the Directors at which the contract or arrangement is determined on, if the interest then exists or in any other case at the first meeting of the Directors after the acquisition of the interest.

Article 128A(1)

For so long as the Company is listed on the Exchange, the Company shall not carry into effect any arrangement or transaction where a Director or a substantial shareholder of the Company or its holding company, or a person connected with such Director or substantial shareholder:-

- (a) acquires or is to acquire shares or non-cash assets of the requisite value (as defined in the Articles of Association of the Company), from the Company; or
- (b) disposes of or is to dispose of shares or non-cash assets of the requisite value (as defined in the Articles of Association of the Company), to the Company,

12. OTHER GENERAL INFORMATION (CONT'D)

unless there is prior approval of the arrangement or transaction by a resolution of the Company in general meeting or by a resolution of the Company's holding company in general meeting, if the arrangement or transaction is in favour of a director or substantial shareholder of its holding company or person connected with such director or substantial shareholder.

Article 128A(2)

The resolution of the Company or its holding company at the general meeting of the Company or its holding company to consider the arrangement or transaction shall be subject to the Director, substantial shareholder or person connected with such Director or substantial shareholder, as the case may be, abstaining from voting on the resolution whether or not to approve the arrangement or transaction.

Article 128A(3)

Where an arrangement or transaction is carried into effect by the Company in contravention of Article 128A of the Articles of Association of the Company, that Director, substantial shareholder or person connected with such Director or substantial shareholder and any Director who knowingly authorised the arrangement or transaction shall, in addition to any other liability, be liable:-

- (a) to account to the Company for any gain which he had made directly or indirectly by the arrangement or transaction; and
- (b) jointly and severally with any person liable under the Articles of Association of the Company, to indemnify the Company for any loss or damage resulting from the arrangement or transaction.

Article 128A(4)

For the purposes of Article 128A of the Articles of Association of the Company:-

- (a) a person shall be deemed to be connected with a Director or substantial shareholder if he is:-
 - (i) a member of that Director's or substantial shareholder's family (including his spouse, parent, child (including adopted child and stepchild), brother, sister and the spouse of his child, brother and sister); or
 - (ii) a body corporate which is associated with that Director or substantial shareholder. A body corporate is associated with a director if:-
 - (I) the body corporate is accustomed or is under an obligation, whether formal or informal, or its directors or the substantial shareholders are accustomed, to act in accordance with the directions, instructions or wishes of that director or substantial shareholder;
 - (II) that Director or substantial shareholder has a controlling interest in the body corporate; or

12. OTHER GENERAL INFORMATION (CONT'D)

- (III) that Director or substantial shareholder or persons connected with him, or that Director or substantial shareholder and persons connected with him, are entitled to exercise, or control the exercise of, not less than fifteen per centum of the votes attached to voting shares in the body corporate; or
 - (iii) a trustee of a trust (other than a trustee for an employee share scheme or pension scheme) under which that Director or substantial shareholder or a member of his family is a beneficiary; or
 - (iv) a partner of that Director or substantial shareholder or a partner of a person connected with that Director or substantial shareholder;
- (b) a company shall be a "holding company" of another corporation in accordance with the following provisions:-
 - (i) if the company:-
 - (I) controls the composition of the board of directors of the second-mentioned company;
 - (II) controls more than half of the voting power of the second-mentioned company;
 - (III) holds more than half of the issued share capital of the second-mentioned corporation (excluding any part thereof which consists of preference shares); or
 - (ii) if the second-mentioned company is a subsidiary of any corporation which is that other corporation's subsidiary;
 - (iii) the composition of a corporation's board of directors shall be deemed to be controlled by another corporation if that other corporation by the exercise of some power exercisable by it without the consent or occurrence of any other person can appoint or remove all or a majority of the directors, and for the purpose of the Articles of Association of the Company, that other corporation shall be deemed to have power to make such an appointment if:-
 - (I) a person cannot be appointed as a director without the exercise in his favour by that other corporation of such a power; or
 - (II) a person's appointment as a director follows necessarily from his being a director or other officer of that other corporation;
 - (iv) in determining whether a corporation is the holding company of another corporation:-
 - (I) any shares held or power exercisable by that corporation in a fiduciary capacity shall be treated as not held or exercisable by it;

12. OTHER GENERAL INFORMATION (CONT'D)

- (II) subject to sub-paragraphs (III) and (IV) below, any shares held or power exercisable:-
 - (A) by any person as a nominee for that corporation (except where that corporation is concerned only in a fiduciary capacity); or
 - (B) by or by a nominee for, a subsidiary of that corporation not being a subsidiary which is concerned only in a fiduciary capacity,shall be treated as held or exercisable by that corporation;
- (III) any shares held or power exercisable by any person by virtue of the provision of any debentures of the second-mentioned corporation or of a trust deed for securing any issue of such debentures shall be disregarded; and
- (IV) any shares held or power exercisable by, or by a nominee for, that corporation or its subsidiary (not being held or exercisable as mentioned in sub-paragraph (III) above) shall be treated as not held or exercisable by that corporation if the ordinary business of that corporation or its subsidiary, as the case may be, includes the lending of money and the shares are held or power is exercisable as aforesaid by way of security only for the purposes of a transaction entered into in the ordinary course of that business;
- (c) "requisite value", in the case where all or any of the shares of the Company are listed for quotation on the Exchange, shall be the same value as the value prescribed by the provisions in the Listing Requirements:-
 - (i) which relates to acquisitions or disposals by the Company or its subsidiaries to which such provision applies; and
 - (ii) which would require the approval of Members in general meeting in accordance with the provisions of Listing Requirements.

Article 128B

In addition to Article 128A of the Articles of Association of the Company, the Company shall, for so long as the Company is listed on the Exchange, comply with the provisions of the Listing Requirements in relation to related party transactions (as defined under the Listing Requirements).

12. OTHER GENERAL INFORMATION (CONT'D)

Article 103A

A Director, who was appointed by virtue of his position as an employee of a company, or who was appointed by or as a representative of a shareholder, employer or debenture holder, shall act in the best interests of the Company and in the event of any conflict between his duty to act in the best interests of the Company and his duty to his nominator, he shall not subordinate his duty to act in the best interest of the Company to his duty to his nominator.

12.2.4 Changes in Capital and Variation of Class Rights

The extracts of provisions in our Articles of Association in respect of changes in capital or variation of class rights are as follows:-

Article 52

Subject to the Statutes and the Listing Requirements, no shares or convertible securities in the Company may be issued by the Directors without the prior approval of the Company in general meeting. All new issues of shares and convertible securities shall be subject to and in accordance with the Statutes, the Central Depositories Act and the provisions of the Listing Requirements and the Rules. Subject as aforesaid and to the provisions of the Articles of Association of the Company and to any special rights attached to any shares or convertible securities for the time being issued, the Directors may allot, grant options over or otherwise dispose of them to such persons, at such times, and on such terms as they think proper, and any shares may be issued with such preferential, deferred, qualified or special rights, privileges or conditions as the Directors may think fit. However, no shares or convertible securities shall be issued which shall have the effect of transferring a controlling interest without the prior approval of the Members in general meeting. Every issue of shares or options to employees and/or Directors shall be approved by shareholders in general meeting and such approval shall specifically detail the amount of shares or options to be issued to each Director.

Article 53(a)

Subject to any direction to the contrary that may be given by the Company in general meeting and except as permitted under the Listing Requirements, all new shares or other convertible securities shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may dispose of those shares or securities in such manner as they think most beneficial to the Company. The Directors may likewise dispose of any new share or security which (by reason of the ratio which the new shares or securities bear to shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Directors, be conveniently offered under the Articles of Association of the Company.

12. OTHER GENERAL INFORMATION (CONT'D)

Article 53(b)

Notwithstanding Article 53(a) of the Articles of Association of the Company, the Company may by ordinary resolution in general meeting give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the ordinary resolution, to:-

- (i) (a) issue shares in the capital of the Company whether by way of rights, bonus or otherwise; and/or
- (b) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares; and
- (ii) (notwithstanding the authority conferred by the ordinary resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the ordinary resolution was in force,

Provided Always That:

- (I) for so long as the Company is listed on the Exchange, the Company shall not issue any shares or convertible securities pursuant to the ordinary resolution if the number of shares or convertible securities, when aggregated with the number of shares or convertible securities issued during the preceding 12 months, exceeds 10% of the total number of issued shares of the Company (excluding treasury shares) except where the shares or convertible securities are issued with the prior approval of the Members in general meeting on the precise terms and conditions of the issue;
- (II) in exercising the authority conferred by the ordinary resolution, the Company shall comply with the provisions of the Listing Requirements for the time being in force (unless such compliance is waived by the Exchange) and the Articles of Association of the Company; and
- (III) (unless revoked or varied by the Company in general meeting) the authority conferred by the ordinary resolution shall not continue in force beyond the conclusion of the annual general meeting of the Company next following the passing of the ordinary resolution, or the date by which such annual general meeting of the Company is required by law to be held, or the expiration of such other period as may be prescribed by the Singapore Companies Act (whichever is the earliest).

Article 55

The Company may from time to time by ordinary resolution and subject to and in accordance with the Statutes, the Listing Requirements and the Rules:-

- (a) increase the share capital by the creation of new shares of such amount as the resolution shall prescribe;
- (b) consolidate and divide all or any of its share capital;

12. OTHER GENERAL INFORMATION (CONT'D)

- (c) subdivide its shares or any of them (subject, nevertheless, to the provisions of the Statutes); and so that in the sub-division the proportion between the amount paid and the amount (if any) unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived;
- (d) cancel shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled; and
- (e) subject to the provisions of the Articles of Association of the Company and the Statutes, convert any class of shares into any other class of shares.

Article 57

The Company may reduce its share capital or other undistributable reserve in any manner and with and subject to any incident authorised and consent required by law.

Article 58

Subject to and in accordance with the provisions of the Singapore Companies Act, the Company may authorise the Directors in general meeting to purchase or otherwise acquire ordinary shares issued by it on such terms as the Company may think fit and in the manner prescribed by the Singapore Companies Act. If required by the Singapore Companies Act, all shares purchased by the Company shall, unless held in treasury in accordance with the Singapore Companies Act, be cancelled immediately upon purchase. On the cancellation of the shares aforesaid, the rights and privileges attached to those shares shall expire and the number of issued shares of the Company shall be diminished by the number of shares so cancelled; where any such cancelled share was purchased or acquired out of the capital of the Company, the amount of share capital of the Company shall be reduced accordingly. Where the shares purchased by the Company are not cancelled, the Company may hold or deal with any such share so purchased by it in such manner as may be permitted by, and in accordance with, the Singapore Companies Act.

Article 59

The Company shall not exercise any right in respect of treasury shares other than as provided by the Singapore Companies Act. Subject thereto, the Company may hold or deal with its treasury shares in the manner authorised by, or prescribed pursuant to, the Singapore Companies Act.

Article 59A

Notwithstanding Articles 58 and 59, for so long as the Company is listed on the Exchange, it may only purchase or otherwise acquire ordinary shares issued by it and thereafter deal with such shares subject to and in accordance with the Malaysian Companies Act and the Listing Requirements.

12. OTHER GENERAL INFORMATION (CONT'D)

Article 5

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of the Statutes, whether or not the Company is being wound up, be varied or abrogated with the consent in writing of the holders of three-fourths of the total voting rights of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise). To every such separate general meeting, the provisions of the Articles of Association of the Company relating to the general meetings shall mutatis mutandis apply, but so that the necessary quorum shall be two persons at least holding or representing by proxy one-third of the total voting rights of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him. To every such special resolution the provisions of Section 184 of the Singapore Companies Act shall, with such adaptations as are necessary, apply. The foregoing provisions of Article 5 of the Articles of Association of the Company shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied.

12.3 LIMITATION ON RIGHTS

The Legal Opinion from our Legal Adviser on Singapore Laws attached hereto in Appendix I of this Prospectus describes the rights of foreign shareholders to hold the securities of our Company imposed by the laws of Singapore.

12.4 LAWS AND REGULATIONS OF MALAYSIA AND SINGAPORE

The table in Section 13 of this Prospectus includes a summary of the provisions of the Malaysian Companies Act and the Singapore Companies Act with respect to the matters stated in Sections 12.2 and 12.3 of this Prospectus and where the Singapore Companies Act does not have provisions corresponding to the standard of those in the Malaysian Companies Act and it is possible to address the same in our Company's Articles of Association, the table sets out the Articles of Association to be adopted by our Company to address the deficiencies in standard.

12.5 LEGAL OPINIONS

The Legal Opinions from our Legal Adviser on Singapore Laws and our Legal Adviser on PRC Laws on the laws and regulations of Singapore and the PRC in respect of foreign investment policies, taxation, foreign exchange control and repatriation of capital and profits, the ownership of securities and assets, and the enforceability of agreements, representations and undertakings are attached hereto in Appendix I to Appendix IV of this Prospectus respectively.

12. OTHER GENERAL INFORMATION (CONT'D)

12.6 MATERIAL CONTRACTS

Save as disclosed below, there are no other material contract (including contracts not reduced in writing), not being contracts entered into in the ordinary course of business which have been entered into by our Company and/or our subsidiary within two (2) years preceding the date of this Prospectus:-

- (a) Convertible Loan and Share Sale Agreement dated 29 December 2008 between Mah Quee Yong, Mah Pow Tan, Shen Hengbao, Meng Xiangzhen, the Company and Lim Kwee Gee (as amended by the supplemental agreement dated 25 September 2009 between the said parties) pursuant to which Lim Kwee Gee loaned SGD200,000 (note: equivalent to RMB950,000 based on an exchange rate of SGD1: RMB4.75) to the Company, which amount shall be convertible to a maximum of 1,311,461 new Shares upon obtaining the approval for a qualifying initial public offering and before the expiry of the loan period of 24 months from the date falling five days after fulfilment, satisfaction or waiver of the conditions precedent in accordance with the terms and conditions set out therein. Lim Kwee Gee had irrevocably agreed to undertake the aforesaid conversion of the loan into new Shares. On 8 September 2010, the said loan was converted into 1,311,461 Shares.
- (b) Convertible Loan and Share Sale Agreement dated 29 March 2009 between Mah Quee Yong, Mah Pow Tan, Shen Hengbao, Meng Xiangzhen, the Company and Lim Kwee Gee (as amended by the supplemental agreement dated 25 September 2009 between the said parties) pursuant to which Lim Kwee Gee loaned RM500,000 (note: equivalent to RMB950,000 based on an exchange rate of RM1: RMB1.90) to the Company, which amount shall be convertible to a maximum of 1,341,126 new Shares upon obtaining the approval for a qualifying initial public offering and before the expiry of the loan period of 24 months from the date falling five days after fulfilment, satisfaction or waiver of the conditions precedent in accordance with the terms and conditions set out therein. Lim Kwee Gee had irrevocably agreed to undertake the aforesaid conversion of the loan into new Shares. On 8 September 2010, the said loan was converted into 1,341,126 Shares.
- (c) Convertible Loan and Share Sale Agreement dated 31 March 2009 between Mah Quee Yong, Mah Pow Tan, Shen Hengbao, Meng Xiangzhen, the Company and Strategic Capital Partners Pte. Ltd. (as amended by the supplemental agreement dated 25 September 2009 between the said parties) pursuant to which Strategic Capital Partners Pte. Ltd. loaned SGD450,000 (note: equivalent to RM1,080,000 based on an exchange rate of SGD1: RMB2.40) to the Company, which amount shall be convertible to a maximum of 2,950,787 new Shares upon obtaining the approval for a qualifying initial public offering and before the expiry of the loan period of 24 months from the date falling five days after fulfilment, satisfaction or waiver of the conditions precedent in accordance with the terms and conditions set out therein. Strategic Capital Partners Pte. Ltd. had irrevocably agreed to undertake the aforesaid conversion of the loan into new Shares. On 8 September 2010, the said loan was converted into 2,950,787 Shares.

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12. OTHER GENERAL INFORMATION (CONT'D)

- (d) Convertible Loan Agreement dated 25 May 2009 between Mah Quee Yong, Mah Pow Tan, Shen Hengbao, Meng Xiangzhen, the Company and Pok Yoke Kung (as amended by the supplemental agreement dated 25 September 2009 between the said parties) pursuant to which Pok Yoke Kung loaned SGD100,000 (note: equivalent to RMB465,000 based on an exchange rate of SGD1: RMB4.65 or equivalent to RM240,000 based on an exchange rate of SGD1: RM2.40) to the Company, which amount shall be convertible to a maximum of 593,760 new Shares upon obtaining the approval for a qualifying initial public offering and before the expiry of the loan period of 12 months from the date falling five days after fulfilment, satisfaction or waiver of the conditions precedent in accordance with the terms and conditions set out therein. Pok Yoke Kung had irrevocably agreed to undertake the aforesaid conversion of the loan into new Shares. On 8 September 2010, the said loan was converted into 593,760 Shares.
- (e) Convertible Loan Agreement dated 25 May 2009 between Mah Quee Yong, Mah Pow Tan, Shen Hengbao, Meng Xiangzhen, the Company and Yap Yoon Keong (as amended by the supplemental agreement dated 25 September 2009 between the said parties) pursuant to which Yap Yoon Keong loaned SGD100,000 (note: equivalent to RMB465,000 based on an exchange rate of SGD1: RMB4.65 or equivalent to RM240,000 based on an exchange rate of SGD1: RM2.40) to the Company, which amount shall be convertible to a maximum of 593,760 new Shares upon obtaining the approval for a qualifying initial public offering and before the expiry of the loan period of 12 months from the date falling five days after fulfilment, satisfaction or waiver of the conditions precedent in accordance with the terms and conditions set out therein. Yap Yoon Keong had irrevocably agreed to undertake the aforesaid conversion of the loan into new Shares. On 8 September 2010, the said loan was converted into 593,760 Shares.
- (f) Convertible Loan Agreement dated 26 May 2009 between Mah Quee Yong, Mah Pow Tan, Shen Hengbao, Meng Xiangzhen, the Company and Lee Ying Kiat (as amended by the supplemental agreement dated 25 September 2009 between the said parties) pursuant to which Lee Ying Kiat loaned SGD100,000 (note: equivalent to RMB465,000 based on an exchange rate of SGD1: RMB4.65 or equivalent to RM240,000 based on an exchange rate of SGD1: RM2.40) to the Company, which amount shall be convertible to a maximum of 593,760 new Shares upon obtaining the approval for a qualifying initial public offering and before the expiry of the loan period of 12 months from the date falling five days after fulfilment, satisfaction or waiver of the conditions precedent in accordance with the terms and conditions set out therein. Lee Ying Kiat had irrevocably agreed to undertake the aforesaid conversion of the loan into new Shares. On 8 September 2010, the said loan was converted into 593,760 Shares.

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12. OTHER GENERAL INFORMATION (CONT'D)

- (g) Convertible Loan Agreement dated 26 May 2009 between Mah Quee Yong, Mah Pow Tan, Shen Hengbao, Meng Xiangzhen, the Company and Resource Hardware & Trading Pte. Ltd. (as amended by the supplemental agreement dated 25 September 2009 between the said parties) pursuant to which Resource Hardware & Trading Pte. Ltd. loaned SGD200,000 (note: equivalent to RMB930,000 based on an exchange rate of SGD1: RMB4.65 or equivalent to RM480,000 based on an exchange rate of SGD1: RM2.40) to the Company, which amount shall be convertible to a maximum of 1,187,520 new Shares upon obtaining the approval for a qualifying initial public offering and before the expiry of the loan period of 12 months from the date falling five days after fulfilment, satisfaction or waiver of the conditions precedent in accordance with the terms and conditions set out therein. Resource Hardware & Trading Pte. Ltd. had irrevocably agreed to undertake the aforesaid conversion of the loan into new Shares. On 8 September 2010, the said loan was converted into 1,187,520 Shares.
- (h) Convertible Loan Agreement dated 26 May 2009 between Mah Quee Yong, Mah Pow Tan, Shen Hengbao, Meng Xiangzhen, the Company and Tan Poh Thong (as amended by the supplemental agreement dated 25 September 2009 between the said parties) pursuant to which Tan Poh Thong loaned SGD50,000 (note: equivalent to RMB232,500 based on an exchange rate of SGD1: RMB4.65 or equivalent to RM120,000 based on an exchange rate of SGD1: RM2.40) to the Company, which amount shall be convertible to a maximum of 296,880 new Shares upon obtaining the approval for a qualifying initial public offering and before the expiry of the loan period of 12 months from the date falling five days after fulfilment, satisfaction or waiver of the conditions precedent in accordance with the terms and conditions set out therein. Tan Poh Thong had irrevocably agreed to undertake the aforesaid conversion of the loan into new Shares. On 8 September 2010, the said loan was converted into 296,880 Shares.
- (i) Convertible Loan Agreement dated 1 June 2009 between Mah Quee Yong, Mah Pow Tan, Shen Hengbao, Meng Xiangzhen, the Company and Heng Hock Keng (as amended by the supplemental agreement dated 25 September 2009 between the said parties) pursuant to which Heng Hock Keng loaned SGD100,000 (note: equivalent to RMB465,000 based on an exchange rate of SGD1: RMB4.65 or equivalent to RM240,000 based on an exchange rate of SGD1: RM2.40) to the Company, which amount shall be convertible to a maximum of 593,760 new Shares upon obtaining the approval for a qualifying initial public offering and before the expiry of the loan period of 12 months from the date falling five days after fulfilment, satisfaction or waiver of the conditions precedent in accordance with the terms and conditions set out therein. Heng Hock Keng had irrevocably agreed to undertake the aforesaid conversion of the loan into new Shares. On 8 September 2010, the said loan was converted into 593,760 Shares.

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12. OTHER GENERAL INFORMATION (CONT'D)

- (j) Convertible Loan Agreement dated 1 June 2009 between Mah Quee Yong, Mah Pow Tan, Shen Hengbao, Meng Xiangzhen, the Company and Lee Kim Tow (as amended by the supplemental agreement dated 25 September 2009 between the said parties) pursuant to which Lee Kim Tow loaned SGD80,000 (note: equivalent to RMB372,000 based on an exchange rate of SGD1: RMB4.65 or equivalent to RM192,000 based on an exchange rate of SGD1: RM2.40) to the Company, which amount shall be convertible to a maximum of 475,008 new Shares upon obtaining the approval for a qualifying initial public offering and before the expiry of the loan period of 12 months from the date falling five days after fulfilment, satisfaction or waiver of the conditions precedent in accordance with the terms and conditions set out therein. Lee Kim Tow had irrevocably agreed to undertake the aforesaid conversion of the loan into new Shares. On 8 September 2010, the said loan was converted into 475,008 Shares.
- (k) Convertible Loan Agreement dated 1 June 2009 between Mah Quee Yong, Mah Pow Tan, Shen Hengbao, Meng Xiangzhen, the Company and Ayako Kira (as amended by the supplemental agreement dated 25 September 2009 between the said parties) pursuant to which Ayako Kira loaned SGD125,000 (note: equivalent to RMB581,250 based on an exchange rate of SGD1: RMB4.65 or equivalent to RM300,000 based on an exchange rate of SGD1: RM2.40) to the Company, which amount shall be convertible to a maximum of 742,200 new Shares upon obtaining the approval for a qualifying initial public offering and before the expiry of the loan period of 12 months from the date falling five days after fulfilment, satisfaction or waiver of the conditions precedent in accordance with the terms and conditions set out therein. Ayako Kira had irrevocably agreed to undertake the aforesaid conversion of the loan into new Shares. On 8 September 2010, the said loan was converted into 742,200 Shares.
- (l) Convertible Loan Agreement dated 1 June 2009 between Mah Quee Yong, Mah Pow Tan, Shen Hengbao, Meng Xiangzhen, the Company and Ong Soo Boon (as amended by the supplemental agreement dated 25 September 2009 between the said parties) pursuant to which Ong Soo Boon loaned SGD250,000 (note: equivalent to RMB1,162,500 based on an exchange rate of SGD1: RMB4.65 or equivalent to RM600,000 based on an exchange rate of SGD1: RM2.40) to the Company, which amount shall be convertible to a maximum of 1,484,400 new Shares upon obtaining the approval for a qualifying initial public offering and before the expiry of the loan period of 12 months from the date falling five days after fulfilment, satisfaction or waiver of the conditions precedent in accordance with the terms and conditions set out therein. Ong Soo Boon had irrevocably agreed to undertake the aforesaid conversion of the loan into new Shares. On 8 September 2010, the said loan was converted into 1,484,400 Shares.

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12. OTHER GENERAL INFORMATION (CONT'D)

- (m) Convertible Loan Agreement dated 1 June 2009 between Mah Quee Yong, Mah Pow Tan, Shen Hengbao, Meng Xiangzhen, the Company and Mah Siew Hoe (as amended by the supplemental agreement dated 25 September 2009 between the said parties) pursuant to which Mah Siew Hoe loaned RM500,000 (note: equivalent to RMB968,750 based on an exchange rate of RM1: RMB1.9375 or equivalent to SGD208,333 based on an exchange rate of SGD1: RM2.40) to the Company, which amount shall be convertible to a maximum of 1,214,382 new Shares upon obtaining the approval for a qualifying initial public offering and before the expiry of the loan period of 12 months from the date falling five days after fulfilment, satisfaction or waiver of the conditions precedent in accordance with the terms and conditions set out therein. Mah Siew Hoe had irrevocably agreed to undertake the aforesaid conversion of the loan into new Shares. On 8 September 2010, the said loan was converted into 1,214,382 Shares.
- (n) Convertible Loan Agreement dated 1 June 2009 between Mah Quee Yong, Mah Pow Tan, Shen Hengbao, Meng Xiangzhen, the Company and Yap Soo Ching (as amended by the supplemental agreement dated 25 September 2009 between the said parties) pursuant to which Yap Soo Ching loaned RM192,000 (note: equivalent to RMB372,000 based on an exchange rate of RM1: RMB1.9375 or equivalent to SGD80,000 based on an exchange rate of SGD1: RM2.40) to the Company, which amount shall be convertible to a maximum of 466,323 new Shares upon obtaining the approval for a qualifying initial public offering and before the expiry of the loan period of 12 months from the date falling five days after fulfilment, satisfaction or waiver of the conditions precedent in accordance with the terms and conditions set out therein. Yap Soo Ching had irrevocably agreed to undertake the aforesaid conversion of the loan into new Shares. On 8 September 2010, the said loan was converted into 466,323 Shares.
- (o) Convertible Loan Agreement dated 1 June 2009 between Mah Quee Yong, Mah Pow Tan, Shen Hengbao, Meng Xiangzhen, the Company and Tan Roy Soon (as amended by the supplemental agreement dated 25 September 2009 between the said parties) pursuant to which Tan Roy Soon loaned RM400,000 (note: equivalent to RMB775,000 based on an exchange rate of RM1: RMB1.9375 or equivalent to SGD166,667 based on an exchange rate of SGD1: RM2.40) to the Company, which amount shall be convertible to a maximum of 971,506 new Shares upon obtaining the approval for a qualifying initial public offering and before the expiry of the loan period of 12 months from the date falling five days after fulfilment, satisfaction or waiver of the conditions precedent in accordance with the terms and conditions set out therein. Tan Roy Soon had irrevocably agreed to undertake the aforesaid conversion of the loan into new Shares. On 8 September 2010, the said loan was converted into 971,506 Shares.

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12. OTHER GENERAL INFORMATION (CONT'D)

- (p) Convertible Loan Agreement dated 1 June 2009 between Mah Quee Yong, Mah Pow Tan, Shen Hengbao, Meng Xiangzhen, the Company and Ng Yew (as amended by the supplemental agreement dated 25 September 2009 between the said parties) pursuant to which Ng Yew loaned RM100,000 (note: equivalent to RMB193,750 based on an exchange rate of RM1: RMB1.9375 or equivalent to SGD41,677 based on an exchange rate of SGD1: RM2.40) to the Company, which amount shall be convertible to a maximum of 242,876 new Shares upon obtaining the approval for a qualifying initial public offering and before the expiry of the loan period of 12 months from the date falling five days after fulfilment, satisfaction or waiver of the conditions precedent in accordance with the terms and conditions set out therein. Ng Yew had irrevocably agreed to undertake the aforesaid conversion of the loan into new Shares. On 8 September 2010, the said loan was converted into 242,876 Shares.
- (q) Convertible Loan Agreement dated 1 June 2009 between Mah Quee Yong, Mah Pow Tan, Shen Hengbao, Meng Xiangzhen, the Company and Yong Sooi Seong (as amended by the supplemental agreement dated 25 September 2009 between the said parties) pursuant to which Yong Sooi Seong loaned RM108,000 (note: equivalent to RMB209,250 based on an exchange rate of RM1: RMB1.9375 or equivalent to SGD45,000 based on an exchange rate of SGD1: RM2.40) to the Company, which amount shall be convertible to a maximum of 262,307 new Shares upon obtaining the approval for a qualifying initial public offering and before the expiry of the loan period of 12 months from the date falling five days after fulfilment, satisfaction or waiver of the conditions precedent in accordance with the terms and conditions set out therein. Yong Sooi Seong had irrevocably agreed to undertake the aforesaid conversion of the loan into new Shares. On 8 September 2010, the said loan was converted into 262,307 Shares.
- (r) Convertible Loan Agreement dated 1 June 2009 between Mah Quee Yong, Mah Pow Tan, Shen Hengbao, Meng Xiangzhen, the Company and Lee Yok Khon @ Lee Kua (as amended by the supplemental agreement dated 25 September 2009 between the said parties) pursuant to which Lee Yok Khon @ Lee Kua loaned RM300,000 (note: equivalent to RMB581,250 based on an exchange rate of RM1: RMB1.9375 or equivalent to SGD125,000 based on an exchange rate of SGD1: RM2.40) to the Company, which amount shall be convertible to a maximum of 728,629 new Shares upon obtaining the approval for a qualifying initial public offering and before the expiry of the loan period of 12 months from the date falling five days after fulfilment, satisfaction or waiver of the conditions precedent in accordance with the terms and conditions set out therein. Lee Yok Khon @ Lee Kua had irrevocably agreed to undertake the aforesaid conversion of the loan into new Shares. On 8 September 2010, the said loan was converted into 728,629 Shares.

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12. OTHER GENERAL INFORMATION (CONT'D)

- (s) Convertible Loan Agreement dated 1 June 2009 between Mah Quee Yong, Mah Pow Tan, Shen Hengbao, Meng Xiangzhen, the Company and Strategic Advisory Services Pte. Ltd. (as amended by the supplemental agreement dated 25 September 2009 between the said parties) pursuant to which Strategic Advisory Services Pte. Ltd. loaned SGD1,000,000 (note: equivalent to RMB4,650,000 based on an exchange rate of SGD1: RMB4.65 or equivalent to RM2,400,000 based on an exchange rate of SGD1: RM2.40) to the Company, which amount shall be convertible to a maximum of 5,937,601 new Shares upon obtaining the approval for a qualifying initial public offering and before the expiry of the loan period of 12 months from the date falling five days after fulfilment, satisfaction or waiver of the conditions precedent in accordance with the terms and conditions set out therein. Strategic Advisory Services Pte. Ltd. had irrevocably agreed to undertake the aforesaid conversion of the loan into new Shares. On 8 September 2010, the said loan was converted into 5,937,601 Shares.
- (t) Convertible Loan Agreement dated 1 June 2009 between Mah Quee Yong, Mah Pow Tan, Shen Hengbao, Meng Xiangzhen, the Company and Oleksandr Danylenko (as amended by the supplemental agreement dated 25 September 2009 between the said parties) pursuant to which Oleksandr Danylenko loaned SGD100,000 (note: equivalent to RMB465,000 based on an exchange rate of SGD1: RMB4.65 or equivalent to RM240,000 based on an exchange rate of SGD1: RM2.40) to the Company, which amount shall be convertible to a maximum of 593,760 new Shares upon obtaining the approval for a qualifying initial public offering and before the expiry of the loan period of 12 months from the date falling five days after fulfilment, satisfaction or waiver of the conditions precedent in accordance with the terms and conditions set out therein. Oleksandr Danylenko had irrevocably agreed to undertake the aforesaid conversion of the loan into new Shares. On 8 September 2010, the said loan was converted into 593,760 Shares.
- (u) Convertible Loan Agreement dated 1 June 2009 between Mah Quee Yong, Mah Pow Tan, Shen Hengbao, Meng Xiangzhen, the Company and Lim Chee Pin (as amended by the supplemental agreement dated 25 September 2009 between the said parties) pursuant to which Lim Chee Pin loaned RM300,000 (note: equivalent to RMB581,250 based on an exchange rate of RM1: RMB1.9375 or equivalent to SGD125,000 based on an exchange rate of SGD1: RM2.40) to the Company, which amount shall be convertible to a maximum of 728,629 new Shares upon obtaining the approval for a qualifying initial public offering and before the expiry of the loan period of 12 months from the date falling five days after fulfilment, satisfaction or waiver of the conditions precedent in accordance with the terms and conditions set out therein. Lim Chee Pin had irrevocably agreed to undertake the aforesaid conversion of the loan into new Shares. On 8 September 2010, the said loan was converted into 728,629 Shares.

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12. OTHER GENERAL INFORMATION (CONT'D)

- (v) Subscription Agreement for RCCPS in the Company dated 27 August 2009 between the Company, Agro Treasures, Shen Hengbao, Meng Xiangzhen, Wu Fang, Shi Geli and Yao Zhifang pursuant to which the Company agreed to allot and issue and Agro Treasures agreed to subscribe for the RCCPS at an issue price of SGD0.01 for each RCCPS subject to a maximum investment by Agro Treasures of RM20,500,000 upon the terms and conditions contained therein. Agro Treasures subscribed for 832,318,311 RCCPS for a consideration of RM20,500,000. The RCCPS may, at the option of the RCCPS holder, be converted into new Shares based on the specified conversion formula at any time and on any number of occasions prior to the listing of the Company. Notwithstanding the foregoing, Agro Treasures has agreed to convert all the 832,318,311 RCCPS into new Shares for the purpose of the Listing of the Company provided always that all relevant approvals have been obtained, all conditions fulfilled and there are no circumstances then occurring or likely to occur which may jeopardise or prejudice the said Listing. On 8 September 2010, 48,805,540 new Shares were allotted and issued to Agro Treasures pursuant to the conversion of all the 832,318,311 RCCPS.
- (w) Joint venture agreement dated 27 August 2009 between the Company, Agro Treasures, Hengbao Foodstuffs, Shen Hengbao, Meng Xiangzhen, Wu Fang, Shi Geli and Yao Zhifang. In consideration of the mutual agreements and undertakings in the said agreement, the parties agreed to grant the rights and accept the obligations as shareholders of the Company and to abide by the terms and conditions for the conduct of the business of the Company as set out in the said agreement.
- (x) Deed of undertaking dated 11 September 2009 between Shen Hengbao, Meng Xiangzhen, Wu Fang, Shi Geli, Yao Zhifang, Hengbao Foodstuffs, Agro Treasures and the Company pursuant to which the parties to the said deed provided for, *inter alia*, (a) the refund by Shen Hengbao, Meng Xiangzhen, Wu Fang, Shi Geli and Yao Zhifang to the Company in clear and transferable funds the amount in Singapore dollars paid pursuant to the Equity Transfer Agreement dated 27 May 2008 and (b) the redemption by the Company of the RCCPS using the monies refunded and any other monies owned by the Company.
- (y) Convertible Loan Agreement dated 17 September 2009 between Mah Quee Yong, Mah Pow Tan, Shen Hengbao, Meng Xiangzhen, the Company and Suraj Singh Gill (as amended by the supplemental agreement dated 25 September 2009 between the said parties) pursuant to which Suraj Singh Gill loaned SGD200,000 (note: equivalent to RMB930,000 based on an exchange rate of SGD1: RMB4.65 or equivalent to RM480,000 based on an exchange rate of SGD1: RM2.40) to the Company which amount shall be convertible to a maximum of 1,187,520 new Shares upon obtaining the approval for a qualifying initial public offering and before the expiry of the loan period of 12 months from the date falling five days after fulfilment, satisfaction or waiver of the conditions precedent in accordance with the terms and conditions set out therein. Suraj Singh Gill had irrevocably agreed to undertake the aforesaid conversion of the loan into new Shares. On 8 September 2010, the said loan was converted into 1,187,520 Shares.
- (z) Underwriting Agreement dated 15 November 2010 between the Company, Managing Underwriter and Underwriters for the underwriting of 24,495,000 Public Issue Shares (“**Underwritten Shares**”) at an underwriting commission of 3.25% of the total value of the Underwritten Shares and upon the terms and conditions contained therein.

12. OTHER GENERAL INFORMATION (CONT'D)

12.7 MATERIAL LITIGATION OR ARBITRATION

As at LPD, neither our Company nor our subsidiary is engaged in any material litigation and arbitration, either as plaintiff or defendant, which has a material effect on the financial position of our Company or our subsidiary and our Directors are not aware of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of our Company or our subsidiary.

12.8 GENERAL INFORMATION

During the last financial year and the current financial year, there were no:-

- (i) Public take-over offers by third parties for our Shares; and
- (ii) Public take-over offers by our Company for other corporations' securities.

12.9 CONSENTS

- (i) The respective written consents of the Adviser, Managing Underwriter, Underwriter and Sole Placement Agent, Joint Company Secretaries, Company Agent in Malaysia, Malaysian Share Registrar, Legal Adviser for the IPO, Principal Bankers, Issuing House and Underwriters to the inclusion in this Prospectus of their names in the form and context in which their names appear have been given before the issuance of this Prospectus and have not subsequently been withdrawn.
- (ii) The written consent of the Auditors to the inclusion in this Prospectus of their names and the audited combined financial statements of Sozo and its subsidiary for FYE 2006, FYE 2007, FYE 2008, FYE 2009 and FPE 2010 together with the notes thereto and the auditors' letter in the form and context in which they are contained in this Prospectus has been given before the issuance of this Prospectus and has not subsequently been withdrawn.
- (iii) The written consent of the Reporting Accountants to the inclusion in this Prospectus of their names, Accountants' Report and letter relating to the Proforma Combined Financial Information in the form and context in which they are contained in this Prospectus has been given before the issuance of this Prospectus and has not subsequently been withdrawn.
- (iv) The written consent of the Independent Market Researcher to the inclusion in this Prospectus of their names and the Executive Summary of the Independent Market Research Report in the form and context in which they are contained in this Prospectus, has been given before the issuance of this Prospectus and has not subsequently been withdrawn.

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12. OTHER GENERAL INFORMATION (CONT'D)

- (v) The written consent of the Legal Adviser to our Company on Singapore Law to the inclusion in this Prospectus of their names, the “Table on the Provisions of the Malaysian Companies Act and Singapore Companies Act with Respect to Shareholders and Minority Interest Protection, and the Laws and Regulations of Malaysia and Singapore on Corporate Governance and Take-Overs and Mergers”, the “Opinion on Foreign Investment Policies, Taxation, Foreign Exchange Control and Repatriation of Capital and Profits Out from Singapore” and the “Opinion on the Ownership of Securities and Assets, Enforceability of Agreements, Representations and Undertakings under the Laws of Singapore” in the form and context in which they are contained in this Prospectus, has been given before the issuance of this Prospectus and has not subsequently been withdrawn.
- (vi) The written consent of the Legal Adviser to our Company on PRC Law to the inclusion in this Prospectus of their names, the “Opinion on Foreign Investment Policies, Taxation, Foreign Exchange Control and Repatriation of Capital and Profits Out from the PRC”, the “Opinion on the Ownership of Securities and Assets, Enforceability of Agreements, Representations and Undertakings under the Laws of the PRC” and the “Opinion on Public Offering of Our Shares and the Listing, and Other Legal Matters Relating to Our Company and Our Subsidiary” in the form and context in which they are contained in this Prospectus, has been given before the issuance of this Prospectus and has not subsequently been withdrawn.

12.10 DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at our registered office in Malaysia during normal business hours for a period of twelve (12) months from the date of this Prospectus:-

- (i) The Memorandum and Articles of Association of our Company;
- (ii) The contracts and agreements referred to in Sections 5.10 and 12.6 of this Prospectus;
- (iii) The Accountants’ Report and Directors’ Report as set out in Sections 9 and 11 of this Prospectus respectively;
- (iv) The Reporting Accountants’ letter relating to the Proforma Combined Financial Information as set out in Section 8.7 of this Prospectus;
- (v) The Independent Market Research Report prepared by Protégé Associates and the Executive Summary of the Independent Market Research Report as set out in Section 10 of this Prospectus;
- (vi) The opinions/ reports/ letters as set out in Appendix I, Appendix II, Appendix III, Appendix IV and Appendix V of this Prospectus;
- (vii) The letters of consent referred to in Section 12.9 of this Prospectus; and
- (viii) The audited combined financial statements of our Company and our subsidiary for the past four (4) FYE 2006 to FYE 2009 and FPE 2010.

12. OTHER GENERAL INFORMATION (CONT'D)

12.11 RESPONSIBILITY STATEMENTS

Our Directors, Promoters and Offerors have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm there is no false or misleading statement or other facts which if omitted, would make any statement in the Prospectus false or misleading.

AmInvestment Bank, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the IPO.

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13. TABLE ON THE PROVISIONS OF THE MALAYSIAN COMPANIES ACT AND SINGAPORE COMPANIES ACT WITH RESPECT TO SHAREHOLDERS AND MINORITY INTEREST PROTECTION, AND THE LAWS AND REGULATIONS OF MALAYSIA AND SINGAPORE ON CORPORATE GOVERNANCE AND TAKE-OVERS AND MERGERS

MALAYSIAN AND SINGAPORE LAWS AND REGULATIONS WITH RESPECT TO SHAREHOLDERS AND MINORITY INTEREST PROTECTION, CORPORATE GOVERNANCE AND TAKE-OVERS AND MERGERS

The following tables set out:-

- (A) a summary of certain provisions of the Companies Act, 1965 of Malaysia ("MCA") and the Companies Act (Chapter 50) of Singapore ("SCA") in relation to shareholders and minority interest protection;
- (B) the Malaysian and Singapore Codes on Corporate Governance; and
- (C) the Malaysian and Singapore Codes on Take-Overs and Mergers.

Certain other Malaysian legislation including the Securities Industry (Central Depositories) Act 1991 may also contain provisions of a Malaysian Companies Law nature. Malaysia also has a separate company law regime pertaining to Labuan offshore companies under the Offshore Companies Act, 1990 of Malaysia. The Securities Industry (Central Depositories) Act 1991 and the Offshore Companies Act 1990, of Malaysia together with Malaysian common law and securities law affecting Malaysian companies are not included in the summary of such laws unless expressly stated otherwise.

The summaries below are not to be regarded as advice on the MCA and the SCA or the differences between them, the Malaysian and Singapore Codes on Corporate Governance or the Malaysian and Singapore Codes on Take-Overs and Mergers. The comments below on the differences between the stated provisions of the MCA and the SCA do not purport to be complete and exhaustive and in any event are (unless expressly stated otherwise) based only on a *general comparison on a non-exhaustive basis as to whether there are equivalent provisions in respect of the MCA and the SCA and comments on such differences do not take into account any common law or judicial interpretations affecting the MCA and the SCA*. The summaries below do not purport to be a comprehensive description of all of the rights and privileges of shareholders conferred by the MCA and the SCA that may be relevant to prospective investors. The summaries below do not purport to be complete and are qualified in their entirety by reference to the MCA and the SCA.

In addition, it should also be noted that the laws applicable to Malaysian companies and Singapore companies may change, whether as a result of proposed legislative reforms to the MCA or the SCA, as the case may be, or otherwise. In addition, the summaries below do not describe the regulations and requirements prescribed by the Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"). Among others, in regard to the Malaysian companies laws, various changes have been proposed by the Corporate Law Reform Committee of Malaysia in the Review of the Malaysian Companies Act – Final Report which, if implemented, would result in some of the provisions referred to below in the MCA being modified. Prospective investors are advised to seek independent legal advice.

If a prospective investor requires or wishes to have a detailed review of the relevant laws and regulations of Malaysia and Singapore, or a detailed explanation on the comparability and/or discrepancy of the relevant laws and regulations between Malaysia and Singapore or any other jurisdiction, the prospective investor is advised to seek Independent legal advice.

Please note that definitions used in the MCA and the SCA follow that of the MCA and the SCA respectively.

Company Registration No: 200608505W
 Malaysia Foreign Company Registration No.: 995221-H

13. TABLE ON THE PROVISIONS OF THE MALAYSIAN COMPANIES ACT AND SINGAPORE COMPANIES ACT WITH RESPECT TO SHAREHOLDERS AND MINORITY INTEREST PROTECTION, AND THE LAWS AND REGULATIONS OF MALAYSIA AND SINGAPORE ON CORPORATE GOVERNANCE AND TAKE-OVERS AND MERGERS (CONT'D)

(A) PROVISIONS OF THE MALAYSIAN COMPANIES ACT AND THE SINGAPORE COMPANIES ACT IN RELATION TO SHAREHOLDERS AND MINORITY INTEREST PROTECTION

MALAYSIAN COMPANIES ACT	SINGAPORE COMPANIES ACT	COMMENTS
<p>DIRECTOR'S POWER TO VOTE ON A PROPOSAL, ARRANGEMENT OR CONTRACT IN WHICH HE IS INTERESTED, CONFLICTS OF INTEREST, TRANSACTIONS WITH DIRECTORS, ETC</p>	<p>DIRECTOR'S POWER TO VOTE ON A PROPOSAL, ARRANGEMENT OR CONTRACT IN WHICH HE IS INTERESTED, CONFLICTS OF INTEREST, TRANSACTIONS WITH DIRECTORS, ETC</p>	
<p>Section 131(1) of the Malaysian Companies Act ("MCA") provides that every director of a company who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the company shall, as soon as practicable after the relevant facts have come to his knowledge, declare the nature of his interest at a meeting of the directors of the company.</p> <p>Section 131(5) of the MCA provides that every director of a company who holds any office or possesses any property whereby whether directly or indirectly duties or interests might be created in conflict with his duties or interests as director shall declare at a meeting of the directors of the company the fact and the nature, character and extent of the conflict.</p> <p>Section 131(7A) of the MCA provides that for the purpose of Section 131 of the MCA, an interest of the spouse of a director of a company (not being herself or himself a director of the company) and an interest of a child, including adopted child or stepchild, of a director of the company (not being himself or herself a director of the company) in the shares or debenture of the company, shall be treated as an interest in the contract and proposed contract.</p>	<p><i>Disclosure of interest in contracts, property, offices, etc</i></p> <p>Section 156(1) of the Singapore Companies Act ("SCA") provides that every director of a company who is in any way, whether directly or indirectly, interested in a transaction or proposed transaction with the company shall, as soon as practicable after the relevant facts have come to his knowledge, declare the nature of his interest at a meeting of the directors of the company.</p> <p>Section 156(5) of the SCA provides that every director of a company who holds any office or possesses any property whereby whether directly or indirectly duties or interests might be created in conflict with his duties or interests as director shall declare at a meeting of the directors of the company the fact and the nature, character and extent of the conflict.</p> <p>Section 156(8) of the SCA provides that for the purposes of Section 156 of the SCA, an interest of a member of a director's family shall be treated as an interest of the director and the words "member of a director's family" shall include his spouse, son, adopted son, step-son, daughter, adopted daughter and step-daughter.</p>	<p>The provisions of the MCA and the SCA on the disclosure by directors of contracts and transactions in which they are interested are similar.</p>

Company Registration No: 200608505W
 Malaysia Foreign Company Registration No.: 995221-H

13. TABLE ON THE PROVISIONS OF THE MALAYSIAN COMPANIES ACT AND SINGAPORE COMPANIES ACT WITH RESPECT TO SHAREHOLDERS AND MINORITY INTEREST PROTECTION, AND THE LAWS AND REGULATIONS OF MALAYSIA AND SINGAPORE ON CORPORATE GOVERNANCE AND TAKE-OVERS AND MERGERS (CONT'D)

MALAYSIAN COMPANIES ACT	SINGAPORE COMPANIES ACT	COMMENTS
<p>Section 131A(1) of the MCA provides that subject to Section 131 of the MCA, a director of a company who is in any way, whether directly or indirectly, interested in a contract entered into or proposed to be entered into by the company, unless the interest is one that need not be disclosed under Section 131 of the MCA, shall be counted only to make the quorum at the board meeting but shall not participate in any discussion while the contract or proposed contract is being considered at the board meeting and shall not vote on the contract or proposed contract.</p> <p>However, Section 131A(2) of the MCA provides that Section 131A(1) of the MCA shall not apply to:-</p> <p>(a) a private company unless it is a subsidiary to a public company;</p> <p>(b) a private company which is wholly-owned subsidiary of a public company, in respect of any contract or proposed contract to be entered into by the private company with the holding company or with another wholly-owned subsidiary of that same holding company;</p> <p>(c) any contract or proposed contract of indemnity against any loss which any director may suffer by reason of becoming or being a surety for a company; and</p>	<p>No equivalent provisions under the SCA.</p> <p><i>Interested director not to participate or vote</i></p>	<p>As there are no equivalent provisions under the SCA to Section 131A of the MCA, Article 127 of the Company's Articles provides that "a Director who is in any way, whether directly or indirectly, interested in a transaction or proposed transaction with the Company shall declare the nature of his interest at a meeting of the Directors in accordance with the [SCA]. A Director shall not vote in respect of any contract or proposed contract or arrangement or any other proposal whatsoever in which he has any personal material interest, directly or indirectly, but such Director shall be counted only to make the quorum at a meeting in relation to any resolution on which he is debarred from voting. Notwithstanding the above, a Director shall not be deemed to be interested or to have been at any time interested in any transaction or proposed transaction by reason only:-</p> <p>(a) in a case where the transaction or proposed transaction relates to any loan to the Company – that he has guaranteed or joined in guaranteeing the repayment of the loan or any part of the loan; or</p> <p>(b) in a case where the transaction or proposed transaction has been or will be made with or for the benefit of or on behalf of a corporation which by virtue of the [SCA] is deemed to be related to the Company – that he is a director of that corporation".</p>

Company Registration No: 200608505W
 Malaysia Foreign Company Registration No.: 995221-H

13. TABLE ON THE PROVISIONS OF THE MALAYSIAN COMPANIES ACT AND SINGAPORE COMPANIES ACT WITH RESPECT TO SHAREHOLDERS AND MINORITY INTEREST PROTECTION, AND THE LAWS AND REGULATIONS OF MALAYSIA AND SINGAPORE ON CORPORATE GOVERNANCE AND TAKE-OVERS AND MERGERS (CONT'D)

MALAYSIAN COMPANIES ACT	SINGAPORE COMPANIES ACT	COMMENTS
<p>(d) any contract or proposed contract entered into or to be entered into by a public company or a private company which is subsidiary of a public company, with another company in which the interest of the director consists solely of:-</p> <p>(i) in him being a director of the company and the holder of shares not more than the number or value as is required to qualify him for the appointment as a director; or</p> <p>(ii) in him having an interest in not more than five per centum of its paid up capital.</p>		

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13. TABLE ON THE PROVISIONS OF THE MALAYSIAN COMPANIES ACT AND SINGAPORE COMPANIES ACT WITH RESPECT TO SHAREHOLDERS AND MINORITY INTEREST PROTECTION, AND THE LAWS AND REGULATIONS OF MALAYSIA AND SINGAPORE ON CORPORATE GOVERNANCE AND TAKE-OVERS AND MERGERS (CONT'D)

MALAYSIAN COMPANIES ACT	SINGAPORE COMPANIES ACT	COMMENTS
<p>Section 132(1) of the MCA provides that a director of a company shall at all times exercise his powers for a proper purpose and in good faith and in the best interest of the company.</p> <p>Section 132(1A) of the MCA provides that a director of a company shall exercise reasonable care, skill and diligence with:-</p> <p>(a) the knowledge, skill and experience which may reasonably be expected of a director having the same responsibilities; and</p> <p>(b) any additional knowledge, skill and experience which the director in fact has.</p> <p>Section 132(1B) of the MCA provides that a director who makes a business judgment is deemed to meet the requirements of the duty under Section 132(1A) of the MCA and the equivalent duties under the common law and in equity if the director:-</p> <p>(a) makes the business judgment in good faith for a proper purpose;</p> <p>(b) does not have a material personal interest in the subject matter of the business judgment;</p> <p>(c) is informed about the subject matter of the business judgment to the extent the director reasonably believes to be appropriate under the circumstances; and</p> <p>(d) reasonably believes that the business judgment is in the best interest of the Company.</p>	<p style="text-align: center;"><i>Director's fiduciary duties and liabilities</i></p> <p>Every director by virtue of his office occupies a fiduciary position with respect to the company. The fiduciary relationship is similar to that of a principal and agent relationship. This relationship arises from the fact that a company being an artificial person can only act through the agency of natural persons. Such being the case, a company can only act through agents, i.e., its individual directors and its board of directors, and it is the duty of the "agents" to act in the best interest of the company.</p> <p>Accordingly, a director is not permitted to place himself in a situation where his interests conflict with his duty. Duties are imposed upon any person who becomes a director of a company and breaches of these duties may lead to criminal or civil liabilities. Such duties are governed by statute and common law. Such duties include (without limitation) duties of care and skill and duties to act in good faith in the best interest of the company, as well as the statutory duty under the SCA to act honestly and to use reasonable diligence in the discharge of the duties of his office at all times.</p> <p>Section 157(1) of the SCA provides that a director shall at all times act honestly and use reasonable diligence in the discharge of the duties of his office.</p> <p>Section 157(4) of the SCA further provides that Section 157 is in addition to and not in derogation of any other written law or rule of law relating to the duty or liability of directors or officers of a company. In this regard, common law and equitable rules relating to directors are still applicable in Singapore.</p>	<p>The provisions of the MCA and the SCA on directors' fiduciary duties are similar save that the SCA does not contain an equivalent provision to Section 132(1E), Section 132(1F) and Section 132(2) of the MCA.</p> <p>To address the aforesaid differences between the MCA and the SCA, the Company has provided the provisions of the MCA in the Company's Articles as follows:-</p> <p>Article 103A of the Company's Articles provides that "A Director, who was appointed by virtue of his position as an employee of a company, or who was appointed by or as a representative of a shareholder, employer or debenture holder, shall act in the best interests of the Company and in the event of any conflict between his duty to act in the best interests of the Company and his duty to his nominator, he shall not subordinate his duty to act in the best interest of the Company to his duty to his nominator";</p> <p>Article 116 of the Company's Articles provides that "The Directors may establish any local boards or agencies for managing any of the affairs of the Company, either in Singapore or elsewhere, and may appoint any persons to be members of such local boards, or any managers or agents, and may fix their remuneration, and may delegate to any local board, manager or agent any of the powers, authorities and discretions vested in the Directors, with power to sub-delegate, and may authorise the members of any local boards, or any of them, to fill any vacancies therein, and to act notwithstanding vacancies, and any such appointment or delegation may be made upon such terms and subject to such conditions as the Directors may think fit, and the Directors may remove any person so appointed, and may annul or vary any such delegation,</p>

13. TABLE ON THE PROVISIONS OF THE MALAYSIAN COMPANIES ACT AND SINGAPORE COMPANIES ACT WITH RESPECT TO SHAREHOLDERS AND MINORITY INTEREST PROTECTION, AND THE LAWS AND REGULATIONS OF MALAYSIA AND SINGAPORE ON CORPORATE GOVERNANCE AND TAKE-OVERS AND MERGERS (CONT'D)

MALAYSIAN COMPANIES ACT	SINGAPORE COMPANIES ACT	COMMENTS
<p>Section 132(1C) of the MCA provides that a director, in exercising his duties as a director may rely on information, professional or expert advice, opinions, reports or statements including financial statements and other financial data, prepared, presented or made by:-</p> <p>(a) any officer of the company whom the director believes on reasonable grounds to be reliable and competent in relation to matters concerned;</p> <p>(b) any other person retained by the company as to matters involving skills or expertise in relation to matters that the director believes on reasonable grounds to be within the person's professional or expert competence;</p> <p>(c) another director in relation to matters within the director's authority; or</p> <p>(d) any committee to the board of directors on which the director did not serve in relation to matters within the committee's authority.</p>	<p>Section 159 of the SCA provides that the directors of a company are entitled to have regard to the following matters in exercising their powers:</p> <p>(a) the interests of the company's employees generally, as well as the interests of its members; and</p> <p>(b) the rulings of the Securities Industry Council on the interpretation of the principles and rules of and the practice to be followed under the Singapore Code on Take-overs and Mergers.</p> <p>Section 157C(1) of the SCA provides that a director may, when exercising powers or performing duties as a director, rely on reports, statements, financial data and other information prepared or supplied, on a professional or expert advice given, by any of the following persons:</p> <p>(a) an employee of the company whom the director believes on reasonable grounds to be reliable and competent in relation to the matters concerned;</p> <p>(b) a professional adviser or an expert in relation to matters which the director believes on reasonable grounds to be within the person's professional or expert competence;</p> <p>(c) any other director or any committee of directors upon which the director did not serve in relation to matters within that other director's or committee's designated authority.</p>	<p>but no person dealing in good faith and without notice of any such annulment or variation shall be affected thereby. Where the Directors have delegated any power, the Directors shall be responsible for the exercise of such power by the delegatee as if such power had been exercised by the Directors themselves"; and</p> <p>Article 114A of the Company's Articles provides that "Subject to the provisions of the [SCA] and the Listing Requirements, a Director or an officer of the Company shall not, without the ratification of a general meeting:</p> <p>(a) use the property of the Company;</p> <p>(b) use any information acquired by virtue of his position as a Director or officer of the Company;</p> <p>(c) use his position as such Director or officer;</p> <p>(d) use any opportunity of the Company which he became aware of, in the performance of his functions as the Director or officer of the Company; or</p> <p>(e) engage in business which is in competition with the Company,</p> <p>to gain directly or indirectly, a benefit for himself or any other person, or cause detriment to the Company".</p>

13. TABLE ON THE PROVISIONS OF THE MALAYSIAN COMPANIES ACT AND SINGAPORE COMPANIES ACT WITH RESPECT TO SHAREHOLDERS AND MINORITY INTEREST PROTECTION, AND THE LAWS AND REGULATIONS OF MALAYSIA AND SINGAPORE ON CORPORATE GOVERNANCE AND TAKE-OVERS AND MERGERS (CONT'D)

MALAYSIAN COMPANIES ACT	SINGAPORE COMPANIES ACT	COMMENTS
<p>Section 132(1D) of the MCA provides that the director's reliance made under Section 132(1C) of the MCA is deemed to be made on reasonable grounds if it was made:-</p> <p>(a) in good faith; and</p> <p>(b) after making an independent assessment of the information or advice, opinions, reports or statements, including financial statements and other financial data, having regard to the director's knowledge of the company and the complexity of the structure and operation of the company.</p> <p>Section 132(1E) of the MCA provides that a director, who was appointed by virtue of his position as an employee of a company, or who was appointed by or as a representative of a shareholder, employer or debenture holder, shall act in the best interest of the company and in the event of any conflict between his duty to act in the best interest of the company and his duty to his nominator, he shall not subordinate his duty to act in the best interest of the company to his duty to his nominator.</p> <p>Section 132(1F) of the MCA provides that except as is otherwise provided by the MCA, the memorandum or articles of association of the company or any resolution of the board of directors or shareholders of the company, the directors may delegate any power of the board of directors to any committee to the board of the directors, director, officer, employee, expert or any other person and where the directors have delegated any power, the directors are responsible for the exercise of such power by the delegatee as if such power had been exercised by the directors themselves.</p>	<p>Section 157C(2) of the SCA provides that Section 157C(1) shall apply to a director only if the director:</p> <p>(a) acts in good faith;</p> <p>(b) makes proper inquiry where the need for inquiry is indicated by the circumstances; and</p> <p>(c) has no knowledge that such reliance is unwarranted.</p>	

Company Registration No: 200608505W
 Malaysia Foreign Company Registration No.: 995221-H

13. TABLE ON THE PROVISIONS OF THE MALAYSIAN COMPANIES ACT AND SINGAPORE COMPANIES ACT WITH RESPECT TO SHAREHOLDERS AND MINORITY INTEREST PROTECTION, AND THE LAWS AND REGULATIONS OF MALAYSIA AND SINGAPORE ON CORPORATE GOVERNANCE AND TAKE-OVERS AND MERGERS (CONT'D)

MALAYSIAN COMPANIES ACT	SINGAPORE COMPANIES ACT	COMMENTS
<p>Section 132(2) of the MCA provides that a director or officer of a company shall not, without the consent or ratification of a general meeting:-</p> <ul style="list-style-type: none"> (a) use the property of the company; (b) use any information acquired by virtue of his position as a director or officer of the company; (c) use his position as such director or officer; (d) use any opportunity of the company which he became aware of, in the performance of his functions as the director or officer of the company; or (e) engage in business which is in competition with the company, <p>to gain directly or indirectly, a benefit for himself or any other person, or cause detriment to the company.</p>	<p>Section 157(2) of the SCA provides that an officer or agent of a company shall not make improper use of any information acquired by virtue of his position as an officer or agent of the company to gain, directly or indirectly, an advantage for himself or for any other person or to cause detriment to the company.</p>	

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13. TABLE ON THE PROVISIONS OF THE MALAYSIAN COMPANIES ACT AND SINGAPORE COMPANIES ACT WITH RESPECT TO SHAREHOLDERS AND MINORITY INTEREST PROTECTION, AND THE LAWS AND REGULATIONS OF MALAYSIA AND SINGAPORE ON CORPORATE GOVERNANCE AND TAKE-OVERS AND MERGERS (CONT'D)

MALAYSIAN COMPANIES ACT	SINGAPORE COMPANIES ACT	COMMENTS
<p>Section 132E(1) of the MCA provides that a company shall not carry into effect any arrangement or transaction where a director or a substantial shareholder of the company or its holding company, or a person connected with such a director or substantial shareholder:-</p> <p>(a) acquires or is to acquire shares or non-cash assets of the requisite value, from the company; or</p> <p>(b) disposes of or is to dispose of shares or non-cash assets of the requisite value, to the company.</p> <p>Section 132E(2) of the MCA provides that an arrangement or transaction which is carried into effect in contravention of Section 132E(1) of the MCA shall be void, unless there is prior approval of the arrangement or transaction:-</p> <p>(a) by a resolution of the company at a general meeting; or</p> <p>(b) by a resolution of the holding company at a general meeting, if the arrangement or transaction is in favour of a director or substantial shareholder of its holding company or person connected with such director or substantial shareholder.</p> <p>Section 132E(3) of the MCA provides that the resolution of the company or its holding company at the general meeting of the company or its holding company to consider the arrangement or transaction shall be subject to the director, substantial shareholder or person connected with such director or substantial shareholder, as the case may be, abstaining from voting on the resolution whether or not to approve the arrangement or transaction.</p>	<p>No equivalent provisions under the SCA.</p> <p><i>Related Party Transactions</i></p>	<p>As there are no equivalent provisions under the SCA to Section 132E of the MCA, Article 128A of the Company's Articles provides as follows:-</p> <p>"(1) For so long as the Company is listed on the Exchange, the Company shall not carry into effect any arrangement or transaction where a Director or a substantial shareholder of the Company or its holding company, or a person connected with such Director or substantial shareholder:-</p> <p>(a) acquires or is to acquire shares or non-cash assets of the requisite value, from the Company; or</p> <p>(b) disposes of or is to dispose of shares or non-cash assets of the requisite value, to the Company,</p> <p>unless there is prior approval of the arrangement or transaction by a resolution of the Company in general meeting or by a resolution of the Company's holding company in general meeting, if the arrangement or transaction is in favour of a director or substantial shareholder of its holding company or person connected with such director or substantial shareholder.</p> <p>(2) The resolution of the Company or its holding company at the general meeting of the Company or its holding company to consider the arrangement or transaction shall be subject to the Director, substantial shareholder or person connected with such Director or substantial shareholder, as the case may be, abstaining from voting on the resolution whether or not to approve the arrangement or transaction.</p>

13. TABLE ON THE PROVISIONS OF THE MALAYSIAN COMPANIES ACT AND SINGAPORE COMPANIES ACT WITH RESPECT TO SHAREHOLDERS AND MINORITY INTEREST PROTECTION, AND THE LAWS AND REGULATIONS OF MALAYSIA AND SINGAPORE ON CORPORATE GOVERNANCE AND TAKE-OVERS AND MERGERS (CONT'D)

MALAYSIAN COMPANIES ACT	SINGAPORE COMPANIES ACT	COMMENTS
<p>Section 132E(4) of the MCA provides that where an arrangement or transaction is carried into effect by a company in contravention of Sections 132E(1) and (2) of the MCA that director, substantial shareholder or person connected with such director or substantial shareholder and any director who knowingly authorised the arrangement or transaction shall, in addition to any other liability, be liable:-</p> <p>(a) to account to the company for any gain which he had made directly or indirectly by the arrangement or transaction; and</p> <p>(b) jointly and severally with any person liable under Section 132E(4) of the MCA, to indemnify the company for any loss or damage resulting from the arrangement or transaction.</p>		<p>(3) Where an arrangement or transaction is carried into effect by the Company in contravention of this Article 128A, that Director, substantial shareholder or person connected with such Director or substantial shareholder and any Director who knowingly authorised the arrangement or transaction shall, in addition to any other liability, be liable:-</p> <p>(a) to account to the Company for any gain which he had made directly or indirectly by the arrangement or transaction; and</p> <p>(b) jointly and severally with any person liable under these Articles, to indemnify the Company for any loss or damage resulting from the arrangement or transaction.</p>
<p>Section 132E(5) of the MCA provides that the Court may, on its application of any member or director of the company, restrain the company from carrying into effect an arrangement or transaction in contravention of Section 132E(1) of the MCA.</p> <p>Section 132E(6) of the MCA provides that a director or substantial shareholder of a company or its holding company, or a person connected with such director or substantial shareholder, in whose favour the company carries into effect an arrangement or transaction and who knows that such arrangement or transaction is carried into effect by a company in contravention of Section 132E of the MCA, or a director who knowingly authorised the company to carry into effect such arrangement or transaction, in contravention of Section 132E of the MCA, shall be guilty of an offence against the MCA.</p>		<p>(4) For the purposes of this Article 128A:-</p> <p>(a) a person shall be deemed to be connected with a Director or substantial shareholder if he is:-</p> <p>(i) a member of that Director's or substantial shareholder's family (including his spouse, parent, child (including adopted child and stepchild), brother, sister and the spouse of his child, brother and sister); or</p> <p>(ii) a body corporate which is associated with that Director or substantial shareholder. A body corporate is associated with a director if:-</p>

13. TABLE ON THE PROVISIONS OF THE MALAYSIAN COMPANIES ACT AND SINGAPORE COMPANIES ACT WITH RESPECT TO SHAREHOLDERS AND MINORITY INTEREST PROTECTION, AND THE LAWS AND REGULATIONS OF MALAYSIA AND SINGAPORE ON CORPORATE GOVERNANCE AND TAKE-OVERS AND MERGERS (CONT'D)

MALAYSIAN COMPANIES ACT	SINGAPORE COMPANIES ACT	COMMENTS
<p>Section 132E(7) of the MCA provides that for the purposes of Section 132E(1) of the MCA:-</p> <p>(a) "person connected with a substantial shareholder" shall have the same meaning as that assigned to a "person connected with a director" in Section 122A of the MCA save that all references therein to a director shall be read as a reference to a substantial shareholder;</p> <p>(b) "requisite value", in the case of a company where all or any of its shares are listed for quotation on the official list of a Stock Exchange as defined under the Capital Markets and Services Act 2007 of Malaysia, shall be the same value as the value prescribed by the provisions in the listing requirements of the Exchange:-</p> <p>(i) which relates to acquisitions or disposals by a company or its subsidiaries to which such provision applies; and</p> <p>(ii) which would require the approval of shareholders at a general meeting in accordance with the provisions of such listing requirements; and</p> <p>(c) in the case of any company other than a company to which (b) above is applicable, non-cash asset is of the requisite value if, at the time of the transaction, its value exceeds two hundred and fifty thousand ringgit or, if its value does not exceed two hundred and fifty thousand ringgit but exceeds ten per centum of the company's asset value provided it is not less than ten thousand ringgit, where:-</p> <p>(i) the value of the company's assets is determined by reference to the accounts prepared and laid under Part VI of the MCA in respect of the last financial year prior to the arrangement or transaction; or</p>		<p>(i) the body corporate is accustomed or is under an obligation, whether formal or informal, or its directors or the substantial shareholders are accustomed, to act in accordance with the directions, instructions or wishes of that director or substantial shareholder;</p> <p>(ii) that Director or substantial shareholder has a controlling interest in the body corporate; or</p> <p>(iii) that Director or substantial shareholder or persons connected with him, or that Director or substantial shareholder and persons connected with him, are entitled to exercise, or control the exercise of, not less than fifteen per centum of the votes attached to voting shares in the body corporate; or</p> <p>(iii) a trustee of a trust (other than a trustee for an employee share scheme or pension scheme) under which that Director or substantial shareholder or a member of his family is a beneficiary; or</p> <p>(iv) a partner of that Director or substantial shareholder or a partner of a person connected with that Director or substantial shareholder;</p> <p>(b) a company shall be a "holding company" of another corporation in accordance with the following provisions:-</p>

13. TABLE ON THE PROVISIONS OF THE MALAYSIAN COMPANIES ACT AND SINGAPORE COMPANIES ACT WITH RESPECT TO SHAREHOLDERS AND MINORITY INTEREST PROTECTION, AND THE LAWS AND REGULATIONS OF MALAYSIA AND SINGAPORE ON CORPORATE GOVERNANCE AND TAKE-OVERS AND MERGERS (CONT'D)

MALAYSIAN COMPANIES ACT	SINGAPORE COMPANIES ACT	COMMENTS
<p>(ii) no accounts have been so prepared and laid before that time, the amount of the company's called up share capital.</p> <p>Section 132E(8) of the MCA provides that in Section 132E of the MCA:-</p> <p>(a) a reference to the acquisition or disposal of a non-cash asset includes the creation or extinction of an estate or interests in, or a right over, any property and also the discharge of any person's liability, other than liability for a liquidated sum;</p> <p>(b) "cash" includes foreign currency;</p> <p>(c) "director" includes the chief executive officer, the chief operating officer, the chief financial controller or any other person primarily responsible for the operations or financial management of a company, by whatever name called; and</p> <p>(d) "non-cash asset" means any property or interest in property other than cash.</p>		<p>if the company:-</p> <p>(I) controls the composition of the board of directors of the second-mentioned company;</p> <p>(II) controls more than half of the voting power of the second-mentioned company;</p> <p>(III) holds more than half of the issued share capital of the second-mentioned corporation (excluding any part thereof which consists of preference shares); or</p> <p>(ii) if the second-mentioned company is a subsidiary of any corporation which is that other corporation's subsidiary;</p> <p>(iii) the composition of a corporation's board of directors shall be deemed to be controlled by another corporation if that other corporation by the exercise of some power exercisable by it without the consent or occurrence of any other person can appoint or remove all or a majority of the directors, and for the purpose of these Articles, that other corporation shall be deemed to have power to make such an appointment if:-</p> <p>(I) a person cannot be appointed as a director without the exercise in his favour by that other corporation of such a power; or</p> <p>(II) a person's appointment as a director follows necessarily from his being a director or other officer of that other corporation;</p> <p>(iv) in determining whether a corporation is the holding company of another corporation:-</p>

Company Registration No: 200608505W
 Malaysia Foreign Company Registration No.: 995221-H

13. TABLE ON THE PROVISIONS OF THE MALAYSIAN COMPANIES ACT AND SINGAPORE COMPANIES ACT WITH RESPECT TO SHAREHOLDERS AND MINORITY INTEREST PROTECTION, AND THE LAWS AND REGULATIONS OF MALAYSIA AND SINGAPORE ON CORPORATE GOVERNANCE AND TAKE-OVERS AND MERGERS (CONT'D)

MALAYSIAN COMPANIES ACT	SINGAPORE COMPANIES ACT	COMMENTS
		<p>(i) any shares held or power exercisable by that corporation in a fiduciary capacity shall be treated as not held or exercisable by it; subject to sub-paragraphs (II) and (IV) below, any shares held or power exercisable:- (A) by any person as a nominee for that corporation (except where that corporation is concerned only in a fiduciary capacity); or (B) by or by a nominee for, a subsidiary of that corporation not being a subsidiary which is concerned only in a fiduciary capacity, shall be treated as held or exercisable by that corporation; any shares held or power exercisable by any person by virtue of the provision of any debentures of the second-mentioned corporation or of a trust deed for securing any issue of such debentures shall be disregarded; and</p>

13. TABLE ON THE PROVISIONS OF THE MALAYSIAN COMPANIES ACT AND SINGAPORE COMPANIES ACT WITH RESPECT TO SHAREHOLDERS AND MINORITY INTEREST PROTECTION, AND THE LAWS AND REGULATIONS OF MALAYSIA AND SINGAPORE ON CORPORATE GOVERNANCE AND TAKE-OVERS AND MERGERS (CONT'D)

MALAYSIAN COMPANIES ACT	SINGAPORE COMPANIES ACT	COMMENTS
		<p>(IV) any shares held or power exercisable by, or by a nominee for, that corporation or its subsidiary (not being held or exercisable as mentioned in subparagraph (III) above) shall be treated as not held or exercisable by that corporation if the ordinary business of that corporation or its subsidiary, as the case may be, includes the lending of money and the shares are held or power is exercisable as aforesaid by way of security only for the purposes of a transaction entered into in the ordinary course of that business;</p> <p>(c) "requisite value", in the case where all or any of the shares of the Company are listed for quotation on the Exchange, shall be the same value as the value prescribed by the provisions in the Listing Requirements:-</p> <ul style="list-style-type: none"> (i) which relates to acquisitions or disposals by the Company or its subsidiaries to which such provision applies; and (ii) which would require the approval of Members in general meeting in accordance with the provisions of Listing Requirements.

13. TABLE ON THE PROVISIONS OF THE MALAYSIAN COMPANIES ACT AND SINGAPORE COMPANIES ACT WITH RESPECT TO SHAREHOLDERS AND MINORITY INTEREST PROTECTION, AND THE LAWS AND REGULATIONS OF MALAYSIA AND SINGAPORE ON CORPORATE GOVERNANCE AND TAKE-OVERS AND MERGERS (CONT'D)

MALAYSIAN COMPANIES ACT	SINGAPORE COMPANIES ACT	COMMENTS
		<p>(5) In this Article 128A:-</p> <p>(a) a reference to the acquisition or disposal of a non-cash asset includes the creation or extinction of an estate or interests in, or a right over, any property and also the discharge of any person's liability, other than liability for a liquidated sum;</p> <p>(b) "cash" includes foreign currency;</p> <p>(c) "director" includes the chief executive officer, the chief operating officer, the chief financial controller or any other person primarily responsible for the operations or financial management of the Company, by whatever name called; and</p> <p>(d) "non-cash asset" means any property or interest in property other than cash."</p>

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13. TABLE ON THE PROVISIONS OF THE MALAYSIAN COMPANIES ACT AND SINGAPORE COMPANIES ACT WITH RESPECT TO SHAREHOLDERS AND MINORITY INTEREST PROTECTION, AND THE LAWS AND REGULATIONS OF MALAYSIA AND SINGAPORE ON CORPORATE GOVERNANCE AND TAKE-OVERS AND MERGERS (CONT'D)

MALAYSIAN COMPANIES ACT	SINGAPORE COMPANIES ACT	COMMENTS
<p><i>Approval of company required for disposal by directors of company's undertaking or property</i></p> <p>Section 132C(1) of the MCA provides that notwithstanding anything in the memorandum or articles of association of the company, the directors shall not carry into effect any arrangement or transaction for:-</p> <p>(a) the acquisition of an undertaking or property of a substantial value; or</p> <p>(b) the disposal of a substantial portion of the company's undertaking or property, unless the arrangement or transaction has been approved by the company in a general meeting.</p> <p>Section 132C(1A) of the MCA provides that for the purpose of Section 132C(1) of the MCA, in the case of a company where all or any of its shares are listed for quotation on the official list of a Stock Exchange as defined in the Capital Markets and Services Act 2007 of Malaysia, the term 'substantial value' or 'substantial portion' shall mean the same value prescribed by the provisions in the listing requirements of the Exchange:-</p> <p>(a) which relates to acquisitions or disposal by a company or its subsidiaries to which such provisions applies; and</p> <p>(b) which would require the approval of shareholders at a general meeting in accordance with the provisions of such listing requirements.</p>	<p>Section 160(1) of the SCA provides that notwithstanding anything in a company's memorandum or articles, the directors shall not carry into effect any proposals for disposing of the whole or substantially the whole of the company's undertaking or property unless those proposals have been approved by the company in general meeting.</p>	<p>Section 132(C)(1)(a) of the MCA provides that the directors shall not carry into effect any arrangement or transaction for the acquisition of an undertaking or property of a substantial value; or the disposal of a substantial portion of the company's undertaking or property without the approval of the company in general meeting. The term "substantial value" or "substantial portion" are then defined in Section 132(C)(1A) and Section 132(C)(1B).</p> <p>Section 160 of the SCA only provides that the directors shall not carry into effect any proposals for disposing of the whole or substantially the whole of the company's undertaking or property unless approved by the company in general meeting.</p> <p>To address the differences between Section 132(C)(1) of the MCA and Section 160 of the SCA, Article 114 of the Company's Articles provides that "subject to the provisions of the [SCA] and the Listing Requirements, the Directors (which for the purposes of this Article 114 shall include the chief executive officer, the chief operating officer, the chief financial controller or any other person primarily responsible for the operations or financial management of the Company, by whatever name called) shall not acquire or dispose of an undertaking or property of a substantial value or dispose of a substantial portion of the Company's undertaking or property without the approval of the Company in general meeting, and:-</p> <p>(a) as long as the Company is listed on the Exchange, the term "substantial value" or "substantial portion" shall mean the same value prescribed by the provisions in the Listing Requirements:-</p>

13. TABLE ON THE PROVISIONS OF THE MALAYSIAN COMPANIES ACT AND SINGAPORE COMPANIES ACT WITH RESPECT TO SHAREHOLDERS AND MINORITY INTEREST PROTECTION, AND THE LAWS AND REGULATIONS OF MALAYSIA AND SINGAPORE ON CORPORATE GOVERNANCE AND TAKE-OVERS AND MERGERS (CONT'D)

MALAYSIAN COMPANIES ACT	SINGAPORE COMPANIES ACT	COMMENTS
<p>Section 132C(1B) of the MCA provides that in the case of any company other than a company to which Section 132C(1A) of the MCA is applicable, an undertaking or property shall be considered to be of a substantial value and a portion of the company's undertaking or property shall be considered to be a substantial portion if:-</p> <p>(a) its value exceeds twenty-five per centum of the total assets of the company;</p> <p>(b) the net profits (after deducting all charges except taxation and excluding extraordinary items) attributed to it amounts to more than twenty five per centum of the total net profit of the company; or</p> <p>(c) its value exceeds twenty-five per centum of the issued share capital of the company, whichever is the highest.</p> <p>Section 132C(2) of the MCA provides that the Court may, on the application of any member of the company, restrain the directors from entering into a transaction in contravention of Section 132C(1) of the MCA.</p> <p>Section 132C(3) of the MCA provides that where an arrangement or transaction is carried into effect in contravention of Section 132C(1) of the MCA, the arrangement or transaction shall be void except in favour of any person dealing with the company for valuable consideration and without actual notice of the contravention.</p>	<p>Section 160(2) of the SCA provides that the Court may, on the application of any member of the company, restrain the directors from entering into a transaction in contravention of Section 160(1).</p> <p>Section 160(3) of the SCA provides that a transaction entered into in contravention of Section 160(1) of the SCA shall, in favour of any person dealing with the company for valuable consideration and without actual notice of the contravention, be as valid as if that Section 160(1) of the SCA had been complied with.</p>	<p>(i) which relates to acquisitions or disposal by a company or its subsidiaries to which such provisions applies; and</p> <p>(ii) which would require the approval of shareholders at a general meeting in accordance with the provisions of the Listing Requirements; and</p> <p>(b) if the Company ceases to be listed on the Exchange, an undertaking or property shall be considered to be of a substantial value and a portion of the Company's undertaking or property shall be considered to be a substantial portion if:-</p> <p>(i) its value exceeds twenty-five (25) per cent of the total assets of the Company;</p> <p>(ii) the net profits (after deducting all charges except taxation and excluding extraordinary items) attributed to it amounts to more than twenty five (25) per cent of the total net profit of the Company; or</p> <p>(iii) its value exceeds twenty-five (25) per cent of the issued share capital of the Company, whichever is the highest".</p>

Company Registration No: 200608505W
 Malaysia Foreign Company Registration No.: 995221-H

13. TABLE ON THE PROVISIONS OF THE MALAYSIAN COMPANIES ACT AND SINGAPORE COMPANIES ACT WITH RESPECT TO SHAREHOLDERS AND MINORITY INTEREST PROTECTION, AND THE LAWS AND REGULATIONS OF MALAYSIA AND SINGAPORE ON CORPORATE GOVERNANCE AND TAKE-OVERS AND MERGERS (CONT'D)

MALAYSIAN COMPANIES ACT	SINGAPORE COMPANIES ACT	COMMENTS
<p>Section 132C(4) of the MCA provides that Section 132C of the MCA shall not apply to proposals for disposing of the whole or substantially the whole of the company's undertaking or property made by a receiver and manager of any part of the undertaking or property of the company appointed under a power contained in any instrument or by a Court or a liquidator of a company appointed in a voluntary winding up.</p> <p>Section 132C(5) of the MCA provides that any director who contravenes Section 132C of the MCA shall be guilty of an offence against the MCA.</p> <p>Section 132C(6) of the MCA provides that in Section 132C of the MCA, "director" includes the chief executive officer, the chief operating officer, the chief financial controller or any other person primarily responsible for the operations or financial management of a company, by whatever name called.</p>	<p>Section 160(4) of the SCA provides that Section 160 of the SCA shall not apply to proposals for disposing of the whole or substantially the whole of the company's undertaking or property made by a receiver and manager of any part of the undertaking or property of the company appointed under a power contained in any instrument or a liquidator of a company appointed in a voluntary winding up.</p>	

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Company Registration No: 200608505W
 Malaysia Foreign Company Registration No.: 995221-H

13. TABLE ON THE PROVISIONS OF THE MALAYSIAN COMPANIES ACT AND SINGAPORE COMPANIES ACT WITH RESPECT TO SHAREHOLDERS AND MINORITY INTEREST PROTECTION, AND THE LAWS AND REGULATIONS OF MALAYSIA AND SINGAPORE ON CORPORATE GOVERNANCE AND TAKE-OVERS AND MERGERS (CONT'D)

MALAYSIAN COMPANIES ACT	SINGAPORE COMPANIES ACT	COMMENTS
<p>Section 133(1) of the MCA provides that a company (other than an exempt private company) shall not make a loan to a director of the company or of a company which by virtue of Section 6 of the MCA is deemed to be related to that company, or enter into any guarantee or provide any security in connection with a loan made to such a director by any other person but nothing in Section 133 of the MCA shall apply:-</p> <p>(a) subject to Section 133(2) of the MCA, to anything done to provide such a director with funds to meet expenditure incurred or to be incurred by him for the purposes of the company or for the purpose of enabling him properly to perform his duties as an officer of the company;</p> <p>(b) to anything done to provide such a director who is engaged in the full-time employment of the company or its holding company, as the case may be, with funds to meet expenditure incurred or to be incurred by him in purchasing or otherwise acquiring a home; or</p> <p>(c) to any loan made to such a director who is engaged in the full-time employment of the company or its holding company, as the case may be, where the company has at a general meeting approved of a scheme for the making of loans to employees of the company and the loan is in accordance with that scheme.</p>	<p style="text-align: center;"><i>Loans to directors</i></p> <p>Section 162 of the SCA provides that a company (other than an exempt private company) is prohibited from making a loan to a director of the company or a director of a related company (and to the spouse or natural, step or adopted children of any such director), and from giving a guarantee or providing any security in connection with such a loan, except in the following circumstances:</p> <p>(a) (subject to, <i>inter alia</i>, the approval of the company in a general meeting) the provision of funds to such a director to meet expenditure incurred or to be incurred for the purposes of the company or for the purpose of enabling him properly to perform his duties as an officer of the company;</p> <p>(b) (subject to, <i>inter alia</i>, the approval of the company in a general meeting) a loan to a director in full time employment of the company or a related company for the purpose of purchasing or otherwise acquiring a home occupied or to be occupied by that director; however, not more than one such loan may be outstanding from the director at any one time;</p> <p>(c) any loan to a director in full time employment of the company or a related company pursuant to an employee loan scheme approved in a general meeting, provided the loan is in accordance with that scheme; and</p>	<p>The provisions of the MCA and the SCA on the making of loans to directors and to persons connected to them are similar save that under the SCA, companies (whether incorporated in or outside of Singapore) in which the director(s) (and his spouse or natural, step or adopted children) individually or collectively, have an interest in 20% or more of the total number of equity shares in the said company (excluding treasury shares) are deemed to be "connected persons" and under the MCA, a body corporate is deemed to be associated with a director if that director and/or persons connected with him are entitled to exercise, or control the exercise of, not less than 15% of the votes attached to voting shares in the body corporate.</p>

13. TABLE ON THE PROVISIONS OF THE MALAYSIAN COMPANIES ACT AND SINGAPORE COMPANIES ACT WITH RESPECT TO SHAREHOLDERS AND MINORITY INTEREST PROTECTION, AND THE LAWS AND REGULATIONS OF MALAYSIA AND SINGAPORE ON CORPORATE GOVERNANCE AND TAKE-OVERS AND MERGERS (CONT'D)

MALAYSIAN COMPANIES ACT	SINGAPORE COMPANIES ACT	COMMENTS
<p>Section 133(2) of the MCA provides that Sections 133(1)(a) or (b) of the MCA shall not authorise the making of any loan, or the entering into any guarantee, or the provision of any security except:-</p> <p>(a) with the prior approval of the company given at a general meeting at which the purposes of the expenditure and the amount of the loan or the extent of the guarantee or security, as the case may be, are disclosed; or</p> <p>(b) on condition that, if the approval of the company is not given as aforesaid at or before the next following annual general meeting, the loan shall be repaid or the liability under the guarantee or security shall be discharged, as the case may be, within six months from the conclusion of that meeting.</p> <p>Section 133(3) of the MCA provides that where the approval of the company is not given as required by any such condition, the directors authorising the making of the loan or the entering into the guarantee or the provision of the security shall be jointly and severally liable to indemnify the company against all loss arising therefrom.</p> <p>Section 133A(1) of the MCA provides that a company (other than an exempt private company) shall not:- (a) make a loan to any person connected with a director of the company or of its holding company; or (b) enter into any guarantee or provide any security in connection with a loan made to such person by any other person.</p>	<p>(d) a loan made in the ordinary course of business by a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons if the activities of that company are regulated by any written law relating to banking, finance companies or insurance or are subject to supervision by the Monetary Authority of Singapore ("MAS").</p> <p>For these purposes, a related company of a company means its holding company, its subsidiary and a subsidiary of its holding company.</p> <p>Section 163(1) of the SCA provides that a company (the "first mentioned company") (other than an exempt private company) is also prohibited from making loans to connected persons or entering into any guarantee or providing any security in connection with a loan made to connected persons by a third-party.</p> <p>Connected persons of the first mentioned company include (i) companies (whether incorporated in or outside of Singapore) in which the director(s) (and his spouse or natural, step or adopted children) of the first mentioned company, individually or collectively, have an interest in 20% or more of the total number of equity shares in the other company (excluding treasury shares) or (ii) in the case of a company which is incorporated outside of Singapore and does not have a share capital, where the director(s) exercise control over the other company whether by reason to appoint directors or otherwise.</p>	

13. TABLE ON THE PROVISIONS OF THE MALAYSIAN COMPANIES ACT AND SINGAPORE COMPANIES ACT WITH RESPECT TO SHAREHOLDERS AND MINORITY INTEREST PROTECTION, AND THE LAWS AND REGULATIONS OF MALAYSIA AND SINGAPORE ON CORPORATE GOVERNANCE AND TAKE-OVERS AND MERGERS (CONT'D)

MALAYSIAN COMPANIES ACT	SINGAPORE COMPANIES ACT	COMMENTS
<p>Section 133A(2) of the MCA provides that Section 133A of the MCA shall not apply:-</p> <p>(a) to anything done by a company where the loan is made, or the guarantee or security is provided in relation to a loan made, to a subsidiary or holding company or a subsidiary of its holding company;</p> <p>(b) to a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, or to anything done by the company in the ordinary course of that business, if the activities of that company are regulated by any written law relating to banking, finance companies or insurance or are subject to supervision by Bank Negara Malaysia;</p> <p>or</p> <p>(c) to any loan made to a person connected with a director who is engaged in the full-time employment of a company or its related corporation, as the case may be:-</p> <p>(i) for the purpose of meeting expenditure incurred or to be incurred by him in purchasing or otherwise acquiring a home; or</p> <p>(ii) in accordance with a scheme for the making of loans to employees approved by the company in general meeting.</p> <p>Section 122A(1) of the MCA provides that for the purposes of Division 2, Part V of the MCA, a person shall be deemed to be connected with a director if he is:-</p> <p>(a) a member of that director's family;</p> <p>(b) a body corporate which is associated with that director;</p> <p>(c) a trustee of a trust (other than a trustee for an employee share scheme or pension scheme) under which that director or a member of his family is a beneficiary; or</p>	<p>Section 163(4) of the SCA provides that Section 163 of the SCA shall not apply to:</p> <p>(a) anything done by a company where the other company (whether incorporated in Singapore or otherwise) is its subsidiary, holding company or a subsidiary of its holding company; or</p> <p>(b) a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, to anything done in the ordinary course of that business if the activities of that company are regulated by any written law relating to banking, finance companies or insurance or are subject to supervision by the MAS.</p>	

Company Registration No: 200608505W
 Malaysia Foreign Company Registration No.: 995221-H

13. TABLE ON THE PROVISIONS OF THE MALAYSIAN COMPANIES ACT AND SINGAPORE COMPANIES ACT WITH RESPECT TO SHAREHOLDERS AND MINORITY INTEREST PROTECTION, AND THE LAWS AND REGULATIONS OF MALAYSIA AND SINGAPORE ON CORPORATE GOVERNANCE AND TAKE-OVERS AND MERGERS (CONT'D)

MALAYSIAN COMPANIES ACT	SINGAPORE COMPANIES ACT	COMMENTS
<p>(d) a partner of that director or a partner of a person connected with that director.</p> <p>Section 122A(2) of the MCA provides that in Section 122A(1)(a) of the MCA, "a member of that director's family" shall include his spouse, parent, child (including adopted child and stepchild), brother, sister and the spouse of his child, brother and sister.</p> <p>Section 122A(3) of the MCA provides that for the purposes of Section 122A(1)(b) of the MCA, a body corporate is associated with a director if:-</p> <p>(a) the body corporate is accustomed or is under an obligation, whether formal or informal, or its directors are accustomed, to act in accordance with the directions, instructions or wishes of that director;</p> <p>(b) that director has a controlling interest in the body corporate; or</p> <p>(c) that director or persons connected with him, or that director and persons connected with him, are entitled to exercise, or control the exercise of, not less than fifteen per centum of the votes attached to voting shares in the body corporate.</p>		

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13. TABLE ON THE PROVISIONS OF THE MALAYSIAN COMPANIES ACT AND SINGAPORE COMPANIES ACT WITH RESPECT TO SHAREHOLDERS AND MINORITY INTEREST PROTECTION, AND THE LAWS AND REGULATIONS OF MALAYSIA AND SINGAPORE ON CORPORATE GOVERNANCE AND TAKE-OVERS AND MERGERS (CONT'D)

MALAYSIAN COMPANIES ACT	SINGAPORE COMPANIES ACT	COMMENTS
DISQUALIFICATION, RESIGNATION, REMOVAL AND REMUNERATION OF DIRECTORS		
<i>Disqualification of directors</i>		
<p>Section 125(1) of the MCA provides that every person who being an undischarged bankrupt acts as directors of, or directly or indirectly takes part in or is concerned in the management of, any corporation except with the leave of the Court shall be guilty of an offence against the MCA.</p> <p>Section 130(1) of the MCA provides that where a person is convicted whether within or outside Malaysia of any offence in connection with the promotion, formation or management of a corporation or of any offence involving fraud or dishonesty punishable on conviction with imprisonment for three months or more or of any offence under Sections 132, 132A or 303 of the MCA, and that person, within a period of five years after his conviction or, if he is sentenced to imprisonment, after his release from prison, without the leave of the Court is a director or promoter of or is in any way whether directly or indirectly concerned or take part in the management in Malaysia of a corporation he shall be guilty of an offence against the MCA.</p> <p>Section 130A(1) of the MCA provides that where on an application under Section 130A of the MCA it appears to the Court:- (a) that a person:- (i) is or has been a director of a company which has at any time gone into liquidation (whether while he was a director or subsequently) and was insolvent at that time; and</p>	<p>Section 148 of the SCA provides that a person may not act as a director of any corporation if he is an undischarged bankrupt unless he has the leave of the Court or the written permission of the Official Assignee to do so.</p> <p>Section 149 of the SCA provides that a person may be disqualified from acting as a director of a company by the Court (on the application of the Minister or the Official Receiver) for a period not exceeding five years if, (a) he is or has been a director of a company which has at any time gone into liquidation (whether while he was a director or within three years of his ceasing to be a director) and was insolvent at that time; and (b) his conduct as a director of that company either taken alone or taken together with his conduct as a director of any other company or companies makes him unfit to be a director of or in any way, whether directly or indirectly, be concerned in, or take part in, the management of a company.</p> <p>Section 149A of the SCA provides that a person may, subject to certain exceptions, also be disqualified from acting as a director by the Court (on application of the Minister) for a period of three years if he is a director of a company which is ordered to be wound up by the Singapore courts on the ground that it is being used for purposes against national security or interest.</p>	<p>The provisions of the MCA and the SCA on the disqualification of directors are similar.</p>

Company Registration No: 200608505W
 Malaysia Foreign Company Registration No.: 995221-H

13. TABLE ON THE PROVISIONS OF THE MALAYSIAN COMPANIES ACT AND SINGAPORE COMPANIES ACT WITH RESPECT TO SHAREHOLDERS AND MINORITY INTEREST PROTECTION, AND THE LAWS AND REGULATIONS OF MALAYSIA AND SINGAPORE ON CORPORATE GOVERNANCE AND TAKE-OVERS AND MERGERS (CONT'D)

MALAYSIAN COMPANIES ACT	SINGAPORE COMPANIES ACT	COMMENTS
<p>(ii) is or has been a director of such company which has gone into liquidation within five years of the date on which the first-mentioned company went into liquidation; and</p> <p>(b) that his conduct as director of any of those companies makes him unfit to be concerned in the management of a company.</p> <p>the Court may make an order that that person shall not, without the leave of the Court, be a director of or in any way, whether directly or indirectly, be concerned or take part in the management of a company for such period beginning on the date of the order and not exceeding five years as may be specified in the order.</p>	<p>Section 154 of the SCA provides that a person could also be disqualified on other grounds, such as conviction of any offence (whether in Singapore or elsewhere) involving fraud or dishonesty which is punishable with imprisonment for three months or more.</p>	

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Company Registration No: 200608505W
 Malaysia Foreign Company Registration No.: 995221-H

13. TABLE ON THE PROVISIONS OF THE MALAYSIAN COMPANIES ACT AND SINGAPORE COMPANIES ACT WITH RESPECT TO SHAREHOLDERS AND MINORITY INTEREST PROTECTION, AND THE LAWS AND REGULATIONS OF MALAYSIA AND SINGAPORE ON CORPORATE GOVERNANCE AND TAKE-OVERS AND MERGERS (CONT'D)

MALAYSIAN COMPANIES ACT	SINGAPORE COMPANIES ACT	COMMENTS
<p>Section 122(6) of the MCA provides that notwithstanding anything contained in the MCA or in the memorandum or articles of a company or in any agreement with a company, a director of a company shall not resign or vacate his office if, by his resignation or vacation for office, the number of directors of the company is reduced below the minimum of two directors who each has his principal or only place of residence within Malaysia, and any purported resignation or vacation of office in contravention of Section 122(1) of the MCA shall be deemed to be invalid.</p>	<p><i>Resignation of directors</i></p> <p>Section 145(5) of the SCA provides that a director of a company cannot resign or vacate his office unless there is remaining in the company at least one director who is ordinarily resident in Singapore, and any purported resignation or vacation of office in breach of this provision is deemed to be invalid. As explained on the website of the Accounting & Corporate Regulatory Authority of Singapore, the term "ordinarily resident in Singapore" refers to a Singaporean Citizen, Singaporean Permanent Resident, or a person who has been issued an Entrepass/ Approval-In-Principle letter/ Dependant Pass.</p>	<p>Under Section 122(6) of the MCA, a director shall not resign or vacate his office unless there is remaining in the company at least two directors whose principal place of residence is in Malaysia, whilst under Section 145(5) of the SCA, a director shall not resign or vacate his office unless there is remaining in the company at least one director who is ordinarily resident in Singapore.</p> <p>To address the difference between Section 122(6) of the MCA and Section 145(5) of the SCA, Article 96 of the Company's Articles provides that "<i>For so long as the Company is listed on the Exchange, at least one (1) of the Directors must have his principal or only place of residence within Malaysia</i>".</p>

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13. TABLE ON THE PROVISIONS OF THE MALAYSIAN COMPANIES ACT AND SINGAPORE COMPANIES ACT WITH RESPECT TO SHAREHOLDERS AND MINORITY INTEREST PROTECTION, AND THE LAWS AND REGULATIONS OF MALAYSIA AND SINGAPORE ON CORPORATE GOVERNANCE AND TAKE-OVERS AND MERGERS (CONT'D)

MALAYSIAN COMPANIES ACT	SINGAPORE COMPANIES ACT	COMMENTS
<p>Section 128(1) of the MCA provides that a public company may by ordinary resolution remove a director before the expiration of his period of office, notwithstanding anything in its memorandum or articles or in any agreement between it and him but where any director so removed was appointed to represent the interests of any particular class of shareholders or debenture holders the resolution to remove him shall not take effect until his successor has been appointed.</p> <p>Section 128(2) of the MCA provides that notwithstanding anything to the contrary in the memorandum or articles of the company, special notice shall be required of any resolution to remove a director or to appoint some person in place of a director so removed at the meeting at which he is removed, and on receipt of notice of an intended resolution to remove a director the company shall forthwith send a copy thereof to the director concerned, and the director (whether or not he is a member of the company) shall be entitled to be heard on the resolution at the meeting.</p> <p>Section 128(8) of the MCA provides that a director of a public company shall not be removed by, or be required to vacate his office by reason of, any resolution, request or notice of the directors or any of them notwithstanding anything in the articles or any agreement.</p>	<p><i>Removal of directors</i></p> <p>Section 152(1) of the SCA provides that a director of a public company may be removed before the expiration of his period of office by an ordinary resolution of the shareholders, notwithstanding anything in the memorandum or articles of association of that company or in any agreement between that company and the director, but where the director so removed was appointed to represent the interests of any particular class of shareholders or debenture holders, the resolution to remove him shall not take effect until his successor has been appointed.</p> <p>Section 152(2) of the SCA provides that special notice shall be required of any resolution to remove a director or appoint some person in place of a director so removed at a meeting at which he is removed, and on receipt of a notice of an intended resolution to remove a director, the company shall immediately send a copy thereof to the director concerned, and the director (whether or not he is a member of the company) shall be entitled to be heard on the resolution at the meeting.</p> <p>Section 152(8) of the SCA provides that a director of a public company shall not be removed by, or be required to vacate his office by reason of, any resolution, request or notice of the directors or any of them notwithstanding anything in the articles of association or any agreement.</p> <p>Subject to the provisions of the SCA, the articles of association of a company may prescribe the manner in which a director may be removed from office before the expiration of his term of office.</p>	<p>The provisions of the MCA and the SCA on the removal of directors are similar.</p>

13. TABLE ON THE PROVISIONS OF THE MALAYSIAN COMPANIES ACT AND SINGAPORE COMPANIES ACT WITH RESPECT TO SHAREHOLDERS AND MINORITY INTEREST PROTECTION, AND THE LAWS AND REGULATIONS OF MALAYSIA AND SINGAPORE ON CORPORATE GOVERNANCE AND TAKE-OVERS AND MERGERS (CONT'D)

MALAYSIAN COMPANIES ACT	SINGAPORE COMPANIES ACT	COMMENTS
<p>Section 137(1) of the MCA provides that it shall not be lawful:-</p> <p>(a) for a company to make to any director any payment by way of compensation for loss of office as an officer of that company or of a subsidiary of that company or as consideration for or in connection with his retirement from any such office; or</p> <p>(b) for any payment to be made to any director of a company in connection with the transfer of the whole or any part of the undertaking or property of the company,</p> <p>unless particulars with respect to the proposed payment (including the amount thereof) have been disclosed to the members of the company and the proposal has been approved by the company in general meeting and when any such payment has been unlawfully made the amount received by the director shall be deemed to have been received by him in trust for the company.</p> <p>Section 137(5) of the MCA provides that any reference in Section 137 to payments to any director of a company by way of compensation for loss of office or as consideration for or in connection with his retirement from office shall not include:-</p> <p>(a) any payment under an agreement entered into before the commencement of the relevant repealed written laws;</p> <p>(b) any payment under an agreement, particulars whereof have been disclosed to and approved by special resolution of the company;</p> <p>(c) any bona fide payment by way of damages for breach of contract;</p>	<p>Section 168(1) of the SCA provides that it shall not be lawful:</p> <p>(a) for a company to make to any director any payment by way of compensation for loss of office as an officer of the company or of a subsidiary of the company or as consideration for or in connection with his retirement from any such office; or</p> <p>(b) for any payment to be made to any director of a company in connection with the transfer of the whole or any part of the undertaking or property of the company, unless particulars with respect to the proposed payment, including the amount thereof, have been disclosed to the members of the company and the proposal has been approved by the company in general meeting and when any such payment has been unlawfully made the amount received by the director shall be deemed to have been received by him in trust for the company.</p> <p>Section 168(5) of the SCA provides that any reference in Section 168 as to payments to any director of a company by way of compensation for loss of office or as consideration for or in connection with his retirement from office shall not include:</p> <p>(a) any payment under an agreement entered into before 1st January 1967;</p> <p>(b) any payment under an agreement particulars of which have been disclosed to and approved by special resolution of the company;</p> <p>(c) any bona fide payment by way of damages for breach of contract;</p>	<p>The remuneration of the Directors of the Company are provided in <i>inter alia</i>, the following Articles of the Company's Articles:-</p> <p>Article 100 provides that the "ordinary fees of the Directors shall from time to time be determined by an ordinary resolution of the Company and shall not be increased except pursuant to an ordinary resolution passed at a general meeting where notice of the proposed increase shall have been given in the notice convening the general meeting and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, or failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such fees is payable shall be entitled only to rank in such division for a proportion of fees related to the period during which he has held office".</p> <p>Article 101 provides that:-</p> <p>"(a) Any Director who holds any executive office, or who serves on any committee of the Directors, or who otherwise performs services which in the opinion of the Directors are outside the scope of ordinary duties of a Director, may be paid such extra remuneration by way of salary, commission or otherwise as the Directors may determine.</p> <p>(b) The fees (including any remuneration under Article 101(a) above) in the case of a Director other than an executive Director shall be payable by a fixed sum and shall not at any time be by commission on or a percentage of the profits or turnover, and no Director whether an executive Director or otherwise shall be remunerated by a commission on or a percentage of turnover.</p>

13. TABLE ON THE PROVISIONS OF THE MALAYSIAN COMPANIES ACT AND SINGAPORE COMPANIES ACT WITH RESPECT TO SHAREHOLDERS AND MINORITY INTEREST PROTECTION, AND THE LAWS AND REGULATIONS OF MALAYSIA AND SINGAPORE ON CORPORATE GOVERNANCE AND TAKE-OVERS AND MERGERS (CONT'D)

MALAYSIAN COMPANIES ACT	SINGAPORE COMPANIES ACT	COMMENTS
<p>(d) any bona fide payment by way of pension or lump sum payment in respect of past services, including any superannuation or retiring allowance, superannuation, gratuity or similar payment, where the value or amount of the pension or payment (except so far as it is attributable to contributions made by the director) does not exceed the total emoluments of the director in the 3 years immediately preceding his retirement or death; or</p> <p>(e) any payment to a director pursuant to an agreement made between the company and him before he become a director of the company as the consideration or part of the consideration for the director agreeing to serve the company as a director.</p>	<p>(d) any bona fide payment by way of pension or lump sum payment in respect of past services, including any superannuation or retiring allowance, superannuation gratuity or similar payment, where the value or amount of the pension or payment, except in so far as it is attributable to contributions made by the director, does not exceed the total emoluments of the director in the 3 years immediately preceding his retirement or death; or</p> <p>(e) any payment to a director pursuant to an agreement made between the company and him before he became a director of the company as the consideration or part of the consideration for the director agreeing to serve the company as a director.</p>	<p>(c) An alternate director shall not be entitled to receive from the Company in respect of his appointment as alternate Director any fees except only such part (if any) of the fees otherwise payable to his principal as such principal may by notice in writing to the Company from time to time direct".</p>
<p>Section 137(6) of the MCA provides that Section 137 of the MCA shall be in addition to and not in derogation of any rule of law requiring disclosure to be made with respect to any such payments or any other like payment.</p> <p>Section 137(7) of the MCA provides that in Section 137 of the MCA, "director" includes any person who has at any time been a director of the company or of a corporation which is by virtue of Section 6 of the MCA deemed to be related to the company.</p>	<p>Section 168(6) of the SCA provides that Section 168 of the SCA shall be in addition to and not in derogation of any rule of law requiring disclosure to be made with respect to any such payments or any other like payment.</p> <p>Section 168(7) of the SCA provides that for the purposes of Section 168 of the SCA, "director" includes any person who has at any time been a director of the company or of a corporation which is by virtue of Section 6 of the SCA deemed to be related to the company.</p> <p>Section 169(1) of the SCA provides that a company shall not at any meeting or otherwise provide emoluments or improve emoluments for a director of a company in respect of his office as such unless the provision is approved by a resolution that is not related to other matters and any resolution passed in breach of Section 169 shall be void.</p>	