



Sozo Global Limited

(Company Registration No.: 200608505W)

(Malaysian Foreign Company Registration No.: 995221-H)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2011

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2011

Unaudited Condensed Consolidated Statement Of Comprehensive Income

	Quarter Ended	Preceding Year Corresponding Quarter	Quarter Ended	Preceding Year Corresponding Quarter	Year to Date Ended	Year to Date Ended	Year to Date Ended	Year to Date Ended
	30 June 2011	30 June 2010	30 June 2011	30 June 2010	30 June 2011	30 June 2010	30 June 2011	30 June 2010
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Revenue	218,598	224,597	102,719	105,538	405,689	392,554	190,633	184,461
Cost of sales	(128,375)	(149,436)	(60,323)	(70,220)	(239,130)	(263,118)	(112,367)	(123,639)
Gross Profit	90,223	75,161	42,396	35,318	166,559	129,436	78,266	60,822
Other operating income	380	1,641	179	771	845	1,821	397	856
Selling and distribution expenses	(339)	(209)	(159)	(98)	(938)	(725)	(441)	(341)
General and administrative expenses	(1,715)	(1,736)	(806)	(815)	(3,613)	(3,534)	(1,697)	(1,661)
Other operating expenses	(138)	(932)	(65)	(438)	(138)	(2,659)	(65)	(1,249)
Operating profits	88,411	73,925	41,545	34,738	162,715	124,339	76,460	58,427
Finance costs	(175)	(163)	(82)	(77)	(349)	(369)	(164)	(173)
Profit Before Taxation	88,236	73,762	41,463	34,661	162,366	123,970	76,296	58,254
Taxation	(22,428)	(18,293)	(10,539)	(8,596)	(40,799)	(31,285)	(19,171)	(14,701)
Profit After Taxation	65,808	55,469	30,924	26,065	121,567	92,685	57,125	43,553
Other comprehensive income for the period (net of tax)	-	-	-	-	-	-	-	-
Total comprehensive income after tax	65,808	55,469	30,924	26,065	121,567	92,685	57,125	43,553



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Unaudited Condensed Consolidated Statement Of Comprehensive Income (continue)

	Quarter Ended	Preceding Year Corresponding Quarter	Quarter Ended	Preceding Year Corresponding Quarter	Year to Date Ended	Year to Date Ended	Year to Date Ended	Year to Date Ended
	30 June 2011	30 June 2010	30 June 2011	30 June 2010	30 June 2011	30 June 2010	30 June 2011	30 June 2010
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Profit attributable to:- - Equity holders of Sozo	65,808	55,469	30,924	26,065	121,567	92,685	57,125	43,553
Total comprehensive income attributable to:- - Equity holders of Sozo	65,808	55,469	30,924	26,065	121,567	92,685	57,125	43,553
Earning Per Share								
- Basic (RMB cents/ sen)	14.06	18.49	6.61	8.69	25.98	30.90	12.21	14.52
- Diluted (RMB cents/ sen)	N/A	13.44	N/A	6.31	N/A	22.46	N/A	10.56

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to this financial report.

Note:

The financial statements are presented in Renminbi ("RMB") and translated into Ringgit Malaysia ("RM") for information purposes and reference at the exchange rate of RMB1 : RM0.4699 at 30 June 2011 with comparatives are shown for illustration purpose. This translation should not be construed as a representation that RMB amounts actually represented have been or could be converted in RM at this or any other rate.



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2011

Condensed Consolidated Statements Of Financial Position

	Unaudited As at 30 June 2011	Audited As at 31 December 2010	Unaudited As at 30 June 2011	Audited As at 31 December 2010
	RMB'000	RMB'000	RM'000	RM'000
Non-Current Assets				
Property, plant and equipment	53,791	55,356	25,276	26,012
Construction in progress	69,037	7,237	32,440	3,401
Intangible assets	183,781	13,848	86,359	6,507
	306,609	76,441	144,075	35,920
Current Assets				
Inventories	26,582	7,636	12,491	3,588
Trade and other receivables	89,971	67,933	42,277	31,922
Cash and bank balance	450,975	563,603	211,913	264,837
	567,528	639,172	266,681	300,347
TOTAL ASSETS	874,137	715,613	410,756	336,267
Capital and Reserves				
Share capital	146,161	146,161	68,681	68,681
Reserves	73,501	61,273	34,538	28,792
Retained earnings	539,759	430,420	253,633	202,255
Total Equity	759,421	637,854	356,852	299,728
Non-Current Liabilities				
Borrowings	14,785	14,436	6,947	6,783
Current Liabilities				
Trade and other payables	67,503	43,978	31,719	20,665
Short term borrowing	10,000	-	4,699	-
Income tax liabilities	22,428	19,345	10,539	9,091
	99,931	63,323	46,957	29,756
Total Liabilities	114,716	77,759	53,904	36,539
TOTAL EQUITY AND LIABILITIES	874,137	715,613	410,756	336,267
Net asset per share attributable to equity holders of the Company (RMB / RM) ⁽¹⁾	1.62	1.36	0.76	0.64

The unaudited Condensed Consolidated Statements Of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to this financial report.

Note:

- (1) The net assets per share attributable to equity holders of the Company is computed based on the net assets as at 30 June 2011 and 31 December 2010 divided by the number of ordinary shares of 468,000,000
- (2) The financial statements are presented in Renminbi ("RMB") and translated into Ringgit Malaysia ("RM") for information purposes and reference at the exchange rate of RMB1 : RM0.4699 at 30 June 2011 with comparatives are shown for illustration purpose. This translation should not be construed as a representation that RMB amounts actually represented have been or could be converted in RM at this or any other rate.



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED
 30 JUNE 2011

Unaudited Condensed Consolidated Statements Of Changes In Equity

6 months ended 30 June 2011	Share capital	Statutory reserves	Fair value adjustments reserves	Retained earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011	146,161	53,036	8,237	430,420	637,854
Total comprehensive income for the period	-	-	-	121,567	121,567
Transfer to reserves	-	12,228	-	(12,228)	-
At 30 June 2011	<u>146,161</u>	<u>65,264</u>	<u>8,237</u>	<u>539,759</u>	<u>759,421</u>

6 months ended 30 June 2011	Share capital	Statutory reserves	Fair value adjustments reserves	Retained earnings	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2011	68,681	24,921	3,871	202,254	299,727
Total comprehensive income for the period	-	-	-	57,125	57,125
Transfer to reserves	-	5,746	-	(5,746)	-
At 30 June 2011	<u>68,681</u>	<u>30,667</u>	<u>3,871</u>	<u>253,633</u>	<u>356,852</u>

Note:

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Unaudited Condensed Consolidated Statements Of Changes In Equity (continue)

6 months ended 30 June 2010	Share capital	Statutory reserves	Fair value adjustments reserves	Retained earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010	152	11,646	8,237	270,886	290,921
Total comprehensive income for the period	-	-	-	92,685	92,685
Transfer to reserves	-	8,148	-	(8,148)	-
At 30 June 2010	<u>152</u>	<u>19,794</u>	<u>8,237</u>	<u>355,423</u>	<u>383,606</u>

6 months ended 30 June 2010	Share capital	Statutory reserves	Fair value adjustments reserves	Retained earnings	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2010	71	5,472	3,871	127,289	136,703
Total comprehensive income for the period	-	-	-	43,553	43,553
Transfer to reserves	-	3,829	-	(3,829)	-
At 30 June 2010	<u>71</u>	<u>9,301</u>	<u>3,871</u>	<u>167,013</u>	<u>180,256</u>

The unaudited Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to this financial report.

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2011

Unaudited Condensed Consolidated Statements Of Cash Flow

	As at 30 June 2011	As at 30 June 2010	As at 30 June 2011	As at 30 June 2010
	RMB'000	RMB'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before income tax	162,366	123,970	76,296	58,254
Adjustments for:				
Depreciation	1,891	2,170	888	1,020
Amortisation	163	163	77	77
Exchange difference arising from translation	-	3,305	-	1,553
Interest expense	349	369	164	173
Gain on fair value adjustment of borrowing	-	(1,349)	-	(635)
Interest income	(845)	(470)	(397)	(221)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	163,924	128,158	77,028	60,221
In inventories	(18,946)	(3,739)	(8,903)	(1,757)
In trade and other receivables	(22,038)	(54,147)	(10,355)	(25,444)
In trade and other payables	23,525	38,186	11,054	17,944
Cash from operations	146,465	108,458	68,824	50,964
Income tax paid	(37,716)	(24,767)	(17,723)	(11,638)
Interest received	845	470	397	221
Net cash generated from operating activities	109,594	84,161	51,498	39,547
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(326)	(1,720)	(153)	(808)
Purchase of intangible assets	(170,096)	-	(79,929)	-
Payment of construction in progress	(61,800)	(762)	(29,040)	(358)
Net cash used in investing activities	(232,222)	(2,482)	(109,122)	(1,166)
CASH FLOWS FROM FINANCING ACTIVITY				
Proceeds from borrowing	10,000	-	4,699	-
Net cash generated from financing activity	10,000	-	4,699	-
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(112,628)	81,679	(52,925)	38,381
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	563,603	290,952	264,837	136,718
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	450,975	372,631	211,912	175,099

The unaudited Condensed Consolidated Statements Of Cash Flow should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to this financial report.

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2011

A. **SELECTED EXPLANATORY NOTES TO THE UNAUDITED FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2011**

1. **Basis of preparation**

a) Basis of accounting

The financial statements are unaudited and have been prepared in accordance with the International Accounting Standards (“IAS”), IAS 34 Interim Financial Reporting and paragraph 9.22 and Part A of Appendix 9B of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, and should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to this unaudited financial report.

b) Changes in accounting policies

There are no changes in accounting policies for the quarter ended 30 June 2011.

c) Basis of consolidation

The financial statements of the Group include the financial statements of the Company and its subsidiary made up to the end of the financial period.

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

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

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

2. **Audit report of the Group’s preceding annual financial statements**

The Group’s audited consolidated financial statements for the financial year ended 31 December 2010 were not subject to any audit qualification.

3. **Seasonality or cyclicity of operation**

The business of the Group was not affected by any significant seasonal and cyclical factors for the current quarter and financial year-to-date.



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4. Unusual items

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group for the current quarter and financial year-to-date.

5. Changes in estimates

There were no material changes in estimates for the current quarter and financial year-to-date.

6. Changes in share capital and debts

There were no issuance, cancellations, repurchase, resale and repayment of debt and equity securities, share buy backs, share cancellation, shares held as treasury share and resale of treasure shares for the current financial year to date.

7. Dividends

No dividends were declared or paid by the Group in the current quarter under review.

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8. Segment information

6 months ended 30 June 2011					
	<u>Ready-to-serve Food</u>	<u>Frozen Vegetables</u>	<u>Canned Food</u>	<u>Others</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	335,140	70,350	-	199	405,689
Segment results	130,713	35,744	-	102	166,559
Other gains					845
Unallocated costs					(4,689)
Finance expenses					(349)
Profit before income tax					162,366
Income tax expense					(40,799)
Profit for the period					121,567
Other segment information:					
Depreciation and amortisation					2,055
Capital expenditures					232,222

6 months ended 30 June 2011					
	<u>Ready-to-serve Food</u>	<u>Frozen Vegetables</u>	<u>Canned Food</u>	<u>Others</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	157,482	33,057	-	94	190,633
Segment results	61,422	16,796	-	48	78,266
Other gains					397
Unallocated costs					(2,203)
Finance expenses					(164)
Profit before income tax					76,296
Income tax expense					(19,171)
Profit for the period					57,125
Other segment information:					
Depreciation and amortisation					966
Capital expenditures					109,121

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8. Segment information (continue)

6 months ended 30 June 2010					
	<u>Ready-to-serve Food</u>	<u>Frozen Vegetables</u>	<u>Canned Food</u>	<u>Others</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	314,765	68,772	-	9,017	392,554
Segment results	100,747	24,094	-	4,595	129,436
Other gains					1,821
Unallocated costs					(6,918)
Finance expenses					(369)
Profit before income tax					123,970
Income tax expense					(31,285)
Profit for the period					92,685
Other segment information:					
Depreciation and amortisation					2,333
Capital expenditures					2,482

6 months ended 30 June 2010					
	<u>Ready-to-serve Food</u>	<u>Frozen Vegetables</u>	<u>Canned Food</u>	<u>Others</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	147,908	32,316	-	4,237	184,461
Segment results	47,341	11,322	-	2,159	60,822
Other gains					856
Unallocated costs					(3,251)
Finance expenses					(173)
Profit before income tax					58,254
Income tax expense					(14,701)
Profit for the period					43,553
Other segment information:					
Depreciation and amortisation					1,096
Capital expenditures					1,166

Note:

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9. Subsequent events

There were no material events as at the date of this announcement that will affect the results of the current quarter and financial year-to-date.

10. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter and financial year-to-date.

11. Contingent liability or assets

There were no material contingent liabilities or assets which may have material effect on the financial position of the Group.

12. Non-current assets

During the financial period ended, the Group acquired additional property, plant and equipment, intangible assets and has commencing construction of new facilities for amounting to approximately RMB232.22million (RM109.12 million) including RMB0.33million of additional of property, plant and equipment in first quarter.

13. Capital commitment

Save as disclosed below, the Group is 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	10,201	4,793
Construction of Duck Poultry and Slaughter factory, Duck Egg laying Farm, Duck Incubation Farm, Duckling Nurture Farm, Testing and R&D Centre and 3 rd Factory	144,631	67,962

14. Significant related party transactions

Key management personnel compensation is analysed as follows:

	Individual Quarter		Cumulative Quarter	
	RMB'000	RM'000	RMB'000	RM'000
Salaries and other short-term employee benefits	141	66	299	141
Post employment benefits	7	3	13	6



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B. INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD UNDER LISTING REQUIREMENTS

1. Review of the performance of the Group

Our revenue increased by RMB13.14 million or approximately 3.35% from RMB392.55 million in financial period ended 30 June 2010 (“FPE 2010”) to RMB405.69million in financial period ended 30 June 2011 (“FPE 2011”) were mainly due to increase in sales of RTS Food.

Sales of ready-to-serve (“RTS”) Food was increased by RMB20.37 million from RMB314.77 million in FPE 2010 to RMB335.14 million in FPE 2011 mainly due to increase in sales of beef RTS Food products.

Sales of frozen vegetables experienced slight increase of RMB1.58 million from RMB68.77 million in FPE 2010 to RMB70.35 million in FPE 2011 mainly due to increase in sales of gourmet potato products.

Sales of other products has decreased approximately RMB8.82 million (97.78%) from RMB9.02 million in FPE2010 to RMB0.20 million in FPE2011 mainly due to the decrease of sales of asparagus tea products.

In FPE 2011, our Group recorded gross profit (“GP”) and profit after taxation (“PAT”) of RMB166.56 million (RM78.27 million) and RMB121.57 million (RM57.12 million) respectively, representing 28.68% and 31.16% growth as compared to the same for FPE 2010. Our GP margin and PAT margin in FPE 2011 were 41.06% and 29.97% respectively, mainly due to increase in sales of certain higher margin products during the period..

The reduce of other operating income from RMB1.8 million in FPE2010 to RMB0.8 million in FPE2011 was mainly due to the fair value adjustment of shareholders’ loan in FPE2010.

The reduce of other operating expenses from RMB2.7 million in FPE2010 to RMB0.1 million in FPE2011 was mainly due to the reduction of foreign exchange losses.

The group has increased its inventories from RMB7.6 million in FYE2010 to RMB26.6 million in FPE2011 for the planning to lower down the impact of increase in raw material price and ready stock for sales in 3rd quarter of FPE2011. The increase of trade and other receivable from RMB67.9 million in FYE2010 to RMB90.0 million in FPE2011 was mainly due to higher sales for the last month of the period ended. The credit term given are still maintaining at 30-60 days during the period under review. The increase of trade and other payable from RMB44.0 million in FYE2010 to RMB67.5 million in FPE2011 was mainly due to the increase of purchase of raw material.



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2. Variation of results against immediate preceding quarter

	Current Quarter 30 June 2011		Preceding Quarter 31 March 2011	
	RMB'000	RM'000	RMB'000	RM'000
Revenue	218,599	102,719	187,091	87,914
Profit Before Taxation	88,236	41,463	74,130	34,834
Profit After Taxation	65,808	30,924	55,759	26,201

The Group recorded revenue of RMB218.60 million in the current quarter, which is approximately RMB31.51 million higher than RMB187.09 million in the immediate preceding quarter. This was mainly due to the increase of demand of our products in second quarter and the decrease of demand in first quarter due to the long holiday effect of Chinese New Year period in February 2011.

The GP margin for current quarter is 41.27% as compared to 40.80% in the preceding quarter mainly due to increase in certain higher margin of our RTS products in current quarter.

The PBT margin and PAT margin for the current quarter are 40.36% and 30.10% respectively, compare to 39.62% and 29.80% respectively for preceding quarter, mainly due to higher margin achieved in the current quarter.

3. Prospects for FYE 2011

RTS segment is a huge market around the world, especially in the cities. The Group is optimistic about its growth prospects in FY2011.

The Group had invested and will continuing investing capital expenditure for its modern poultry farming and breeding facilities in order to capture more market share in the near future. The investments would be able to reduce the cost of sourcing of the raw duck meat and will further improve the earning of the Group.

The modern poultry processing facilities and third production plant which are expected to start contributing in FYE2012 have commenced construction in the 2nd quarter 2011.

The Group believed that HALAL food are a huge market for foods processing industry. With the recognition of Malaysia's HALAL certification by all Islamic Countries, the Group is presently looking for location in Malaysia to set up a HALAL plant for its RTS Food products.

Base on the performance for the quarter ended 30 June 2011, barring unforeseen circumstances, the Group is optimistic about its performance in FYE2011, with the optimum utilization of the existing capacities.

4. Profit forecast

Our Group does not have any profit forecast or guarantee in the public documents.



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5. Income tax expenses

	Individual Quarter		Cumulative Quarter	
	RMB'000	RM'000	RMB'000	RM'000
Income tax expenses	22,428	10,539	40,799	19,171

PRC Tax

The PRC income tax is computed according to the relevant laws and regulations in the PRC. The applicable income tax rate is 25% for current quarter and financial year-to-date.

Singapore tax

No provision for Singapore profits tax made as the Group has no assessable profits subject to Singapore tax for current quarter and financial year-to-date.

The effective tax rate of the Group for the current quarter and financial year-to-date were approximately 25.42% and 25.13% respectively as compared to the applicable tax rate of 25%.

6. Sales of unquoted investment / properties

There were no sales of unquoted investments / properties in the current financial quarter and financial year-to-date.

7. Purchase or disposal of quoted securities

There were no purchase or dispose of quoted securities for the current financial quarter and financial year-to-date.

8. Status of utilization of proceeds

The status of the gross proceeds of RM44,304,000 from the Public Issue are as follows:-

	Proposed Utilization Amount RM'000	Actual Utilization Amount RM'000	Deviation Amount RM'000	Expected Utilisation Period After Our Listing
(i) Setting up of a modern poultry farming and breeding facility	5,000	56,407 ^(b)	(51,407) ^(a)	Within 24 months
(ii) Setting up of a modern poultry processing facility	5,000	7,010 ^(b)	(2,010) ^(a)	Within 24 months
(iii) Setting up of a third production plant and corporate headquarters building in PRC	15,000	16,501 ^(b)	(1,501) ^(a)	Within 24 months
(iv) Construction of Halal food processing facility in Malaysia	5,000	-	N/A	Within 24 months
(v) Working capital	4,304	4,304	-	Within 12 months
(vi) Estimated listing expenses	10,000	12,097	(2,097) ^(a)	Within 6 months
Total	44,304	96,319		

Notes:-

(a) The deviation is financed thru internal generated fund of the Group.

(b) The group had spent RMB170.1million (RM79.9 million) for the acquisition of 7 parcel of land for setting up the poultry farming, breeding, processing, 3rd production plant and corporate headquarters building during the period



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9. Group's borrowings and debt securities

The Group's borrowings and debt securities as of 30 June 2011 were as follows:

	RMB'000	RM'000
Loans – unsecured*	10,000	4,699
Loans – unsecured	14,785 ^(a)	6,947

Loans – unsecured*

This loan is interest free and repayable in 1 year.

Loans - unsecured

On 25 September 2009, the subsidiary company 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 RMB21.80 million. The loan is interest free. The tenure of the loan is 10 years and will be automatically renewed for another 10 years unless the Directors decide that the loan is no longer required.

Notes:-

(a)After incorporating the fair value adjustment made on the loan from shareholders amounting to RMB21.80 million.

10. Off-balance sheet financial instrument risks

There are no financial instruments with off-balance sheet risks as at the date of this report.

11. Changes in material litigation

As at the date of this report, there is no litigation or arbitration, which has a material effect on the financial position of the Group and the Board is not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings.

12. Realised and Unrealised Profit/Losses Disclosure

The retained earnings as at 30 June 2011 and 31 December 2010 are analysed as below:

	Current Financial Year		Preceding Financial Year	
	RMB'000	RM'000	RMB'000	RM'000
Total Retained Earnings of the Company and its subsidiary:				
- Realised	540,005	253,748	430,848	202,455
- Unrealised	(246)	(115)	(428)	(201)
Total Group Retained Earnings	539,759	253,633	430,420	202,254



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13. Earning per share

Basic Earning per Share

	Quarter Ended	Preceding Year Corresponding Quarter	Quarter Ended	Preceding Year Corresponding Quarter	Year to Date Ended	Year to Date Ended	Year to Date Ended	Year to Date Ended
	30 June 2011	30 June 2010	30 June 2011	30 June 2010	30 June 2011	30 June 2010	30 June 2011	30 June 2010
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Profit attributable to equity holders of the company	65,808	55,469	30,923	26,065	121,567	92,685	57,124	43,553
Weighted average number of ordinary share in issue ('000)	468,000	300,000 ⁽¹⁾	468,000	300,000 ⁽¹⁾	468,000	300,000 ⁽¹⁾	468,000	300,000 ⁽¹⁾
Earning Per Share - Basic (RMB cents/ sen)	14.06	18.49	6.61	8.69	25.98	30.90	12.21	14.52

Note:

(1) The 300,000,000 shares is derived after sub-division and before conversion solely for comparative purpose.

By Order of the Board

SHEN HENGBAO
Chief Executive Officer