



恒宝环球

HB Global Limited

(Formerly Known as 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 2012

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2012

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 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Revenue	111,825	218,598	56,695	102,719	325,784	405,689	165,172	190,633
Cost of sales	(88,850)	(128,375)	(45,047)	(60,323)	(231,498)	(239,130)	(117,369)	(112,367)
Gross Profit	22,975	90,223	11,648	42,396	94,286	166,559	47,803	78,266
Other operating income	521	380	264	179	1,025	845	519	397
Selling and distribution expenses	(930)	(339)	(472)	(159)	(1,220)	(938)	(619)	(441)
General and administrative expenses	(3,773)	(1,715)	(1,913)	(806)	(7,007)	(3,613)	(3,553)	(1,697)
Other operating expenses	129	(138)	65	(65)	(161)	(138)	(80)	(65)
Operating profits	18,922	88,411	9,592	41,545	86,923	162,715	44,070	76,460
Finance costs	(395)	(175)	(200)	(82)	(836)	(349)	(424)	(164)
Profit Before Taxation	18,527	88,236	9,392	41,463	86,087	162,366	43,646	76,296
Taxation	(5,355)	(22,428)	(2,715)	(10,539)	(22,501)	(40,799)	(11,408)	(19,171)
Profit After Taxation	13,172	65,808	6,677	30,924	63,586	121,567	32,238	57,125
Other comprehensive income for the period (net of tax)	-	-	-	-	-	-	-	-
Total comprehensive income after tax	13,172	65,808	6,677	30,924	63,586	121,567	32,238	57,125



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2012

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 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Profit attributable to:- - Equity holders of HB	13,172	65,808	6,677	30,924	63,586	121,567	32,238	57,125
Total comprehensive income attributable to:- - Equity holders of HB	13,172	65,808	6,677	30,924	63,586	121,567	32,238	57,125
Earning Per Share *								
- Basic (RMB cents/ sen)	2.81	14.06	1.43	6.61	13.59	25.98	6.89	12.21
- Diluted (RMB cents/ sen)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2011 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 : RM0.5070 at 30 June 2012 and 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 2012

Condensed Consolidated Statements of Financial Positions

	Unaudited As at 30 June 2012	Audited As at 31 December 2011	Unaudited As at 30 June 2012	Audited As at 31 December 2011
	RMB'000	RMB'000	RM'000	RM'000
Non-Current Assets				
Property, plant and equipment	53,668	51,604	27,210	25,977
Construction in progress	229,940	173,487	116,580	87,333
Biological assets	7,172	-	3,636	-
Intangible assets	129,456	130,815	65,634	65,852
	420,236	355,906	213,060	179,162
Current Assets				
Inventories	10,166	16,961	5,154	8,538
Trade receivables	12,659	90,485	6,418	45,550
Other receivables	449	62	227	31
Prepayment for land use right	116,094	-	58,860	-
Cash and bank balance	431,196	534,171	218,616	268,902
	570,564	641,679	289,275	323,021
TOTAL ASSETS	990,800	997,585	502,335	502,183
Capital and Reserves				
Share capital	146,161	146,161	74,104	73,577
Reserves	84,327	84,327	42,754	42,450
Retained earnings	671,899	608,313	340,653	306,225
Total Equity	902,387	838,801	457,511	422,252
Non-Current Liabilities				
Borrowings	15,460	15,134	7,838	7,618
Current Liabilities				
Trade payables	20,398	27,488	10,342	13,837
Other payables	33,636	76,263	17,053	38,391
Short term borrowing	-	10,000	-	5,034
Income tax liabilities	5,354	16,845	2,714	8,480
Amount due to a shareholder	13,565	13,054	6,877	6,571
	72,953	143,650	36,986	72,313
Total Liabilities	88,413	158,784	44,824	79,931
TOTAL EQUITY AND LIABILITIES	990,800	997,585	502,335	502,183
Net asset per share attributable to equity holders of the Company (RMB / RM) ⁽ⁱ⁾	1.93	1.79	0.98	0.90

The unaudited Condensed Consolidated Statements of Financial Positions should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2011 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 2012 and 31 December 2011 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 : RM0.5070 at 30 June 2012 and RMB1: RM0.5034 at 31 December 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 2012

Unaudited Condensed Consolidated Statements Of Changes In Equity

6 months ended 30 June 2012	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 2012	146,161	76,090	8,237	608,313	838,801
Total comprehensive income for the period	-	-	-	63,586	63,586
At 30 June 2012	<u>146,161</u>	<u>76,090</u>	<u>8,237</u>	<u>671,899</u>	<u>902,387</u>

6 months ended 30 June 2012	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 2012	74,104	38,578	4,176	308,415	425,273
Total comprehensive income for the period	-	-	-	32,238	32,238
At 30 June 2012	<u>74,104</u>	<u>38,578</u>	<u>4,176</u>	<u>340,653</u>	<u>457,511</u>

Note:

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Unaudited Condensed Consolidated Statements Of Changes In Equity (continue)

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>

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 2011 and the accompanying explanatory notes attached to this financial report.

Note:

(1) 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 : RM0.5070 at 30 June 2012 and 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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Unaudited Condensed Consolidated Statements Of Cash Flow

	As at 30 June 2012 RMB'000	As at 30 June 2011 RMB'000	As at 30 June 2012 RM'000	As at 30 June 2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before income tax	86,087	162,366	43,646	76,296
Adjustments for:				
Depreciation	2,010	1,891	1,019	888
Amortisation	1,359	163	689	77
Interest expense	836	349	424	164
Interest income	(1,000)	(845)	(507)	(397)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	89,292	163,924	45,271	77,028
In inventories	6,795	(18,946)	3,445	(8,903)
In trade and other receivables	77,439	(22,038)	39,262	(10,335)
In trade and other payables	(69,020)	23,525	(34,993)	11,054
Cash from operations	104,506	146,465	52,985	68,824
Income tax paid	(33,992)	(37,716)	(17,234)	(17,723)
Interest received	1,000	845	507	397
Net cash generated from operating activities	71,514	109,594	36,258	51,498
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(4,074)	(326)	(2,066)	(153)
Purchase of intangible assets	(116,094)	(170,096)	(58,860)	(79,929)
Purchase of biological asset	(7,172)	-	(3,636)	-
Payment of construction in progress	(36,313)	(61,800)	(18,411)	(29,040)
Net cash used in investing activities	(163,653)	(232,222)	(82,973)	(109,122)
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest Expense	(836)	-	(424)	-
Proceed from borrowing	-	10,000	-	4,699
Repayment of short term loan	(10,000)	-	(5,070)	-
Net cash (used in)/generated from financing activities	(10,836)	10,000	(5,494)	4,699
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(102,975)	(112,628)	(52,209)	(52,925)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	534,171	563,603	270,825	264,837
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	431,196	450,975	218,616	211,912

The unaudited Condensed Consolidated Statements Of Cash Flow should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2011 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 2012

A. SELECTED EXPLANATORY NOTES TO THE UNAUDITED FINANCIAL REPORT FOR THE FORTH QUARTER ENDED 30 JUNE 2012

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 2011 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 2012.

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 2011 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.

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.



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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 treasury shares for the current financial year to date.

7. Dividends

No dividend was declared or paid by the Group in the current quarter under review.

8. Segment information

<u>Financial Year Ended 30 June 2012</u>					
	<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	278,175	31,771	-	15,838	325,784
Segment results	79,265	9,607	-	5,414	94,286
Other gains					1,492
Unallocated costs					(8,388)
Finance expenses					(1,303)
Profit before income tax					86,087
Income tax expense					(22,501)
Profit for the period					63,586
Other segment information:					
Depreciation and amortisation					3,369
Capital expenditures					67,699

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2012

8. Segment information (continue)

<u>Financial Year Ended 30 June 2012</u>					
	<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	141,035	16,108	-	8,029	165,172
Segment results	40,187	4,871	-	2,745	47,803
Other gains					756
Unallocated costs					(4,252)
Finance expenses					(661)
Profit before income tax					43,646
Income tax expense					(11,408)
Profit for the period					<u>32,238</u>
Other segment information:					
Depreciation and amortisation					1,708
Capital expenditures					<u>34,323</u>

Note:

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<u>6 months ended 30 June 2011</u>					
	<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 year					<u>121,567</u>
Other segment information:					
Depreciation and amortisation					2,055
Capital expenditures					<u>232,222</u>



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2012

8. Segment information (continue)

<u>6 months ended 30 June 2011</u>					
	<u>Ready-to-serve Food</u> RM'000	<u>Frozen Vegetables</u> RM'000	<u>Canned Food</u> RM'000	<u>Others</u> RM'000	<u>Total</u> 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

Note:

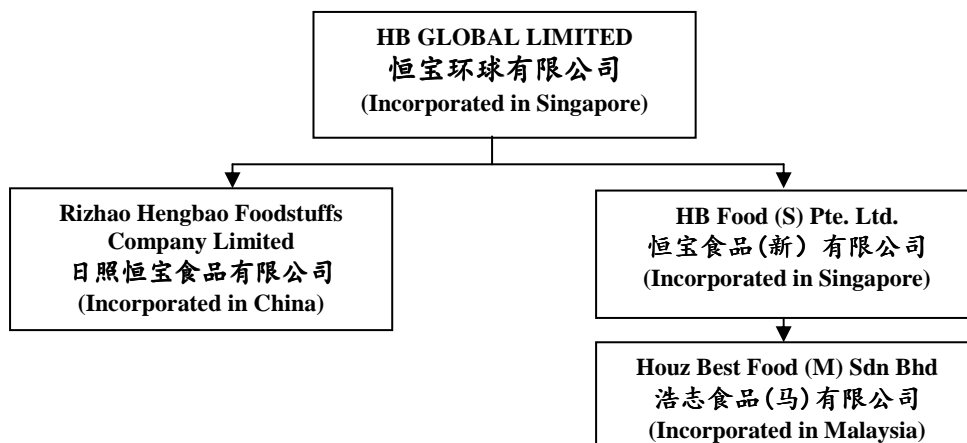
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9. Subsequent events

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

The Company had on 14 August 2012 acquired two (2) ordinary shares of RM1.00 each in Houz Best Food (M) Sdn Bhd (Company No. 1008293-K) ("HBFSB") representing 100% of the total issued and paid up share capital of HBFSB. HBFSB was set up to be the holding company for the Halal food processing operations of the Group and as the Halal food trading Company in Malaysia.





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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

The Group acquired additional non-current assets of total RMB67.7 million, consisting of property, plant and equipment, construction in progress facilities and biological assets net of depreciation and amortisation charged for the year of RMB3.4million.

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 to Rizhao Hengbao Foodstuffs Co., Ltd	8,730	4,426
Construction of duck poultry and slaughter factory, duck egg laying farm, duck incubation farm, duckling nurture farm, testing and research & development centre and the group's third factory	108,790	55,157

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	220	112	440	223
Post employment benefits	1	0.5	2	1

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

1. Review of the performance of the Group

Review of Group Comprehensive Income

Our revenue decreased by RMB79.9 million or approximately 19.7% from RMB405.7 million in the financial period ended 30 June 2011 ("FPE2011") to RMB325.8 million in the financial period ended 30 June 2012 ("FPE2012"). The decrease is mainly due to food manufacturers worldwide (such as from Brazil and Thailand) had shifting their target market from Europe after the eurozone experienced economic difficulty and moving into the Japanese market. Competition in the Japanese food market had then stiffened and eroded our Group's revenue and profits. Hence, sales of ready-to-serve ("RTS") products decreased substantially by RMB57.0 million from RMB335.1 million in FPE2011 to RMB278.1 million in FPE2012 while sales of frozen vegetables products decreased by RMB38.5 million from RMB 70.3 million in FPE2011 to RMB31.8 million in FPE2012.

Sales to the China market, which were indirectly exports to Japan decreased by 12.5% or RMB46.5 million from RMB372.3 million in FPE2011 to RMB325.8 million in FPE2012. On the other hand, as a result of more effort put in by our newly set up Tokyo marketing office since September 2011, our direct sales to Japan managed to increase marginally by RMB9.6 million in FPE2012 despite the more challenging market conditions.



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Gross Profit (“GP”) decreased by RMB72.3 million or 43.4% from RMB166.6 million FPE2011 to RMB94.3 million in FPE2012 and was mainly attributable to the stiff competition the Group was experiencing in the Japanese market. The lower margin achieved was a result of diseconomies of scale on production productivity, coupled with the pre-operating expenses of the duck farming business and the increase in labour cost for the production department upon salary adjustment in line with the implementation of new minimum wages policy by the Provincial Manpower Department. Net profit before taxation decreased by RMB76.3 million or 47.0%, from RMB162.4 million in FPE2011 to RMB86.1 million in FPE2012. This was mainly attributable to the decrease in gross profit as explained and the increase in general and administrative expenses of RMB3.4 million in FPE2012.

Other operating income increased from RMB0.8 million in FPE2011 to RMB1.0 million in FPE2012 and was mainly due to interest income receivables from the bank in FPE2012 as a result of an increase in average cash and cash equivalent position before we paid for construction in progress in May 2012. Selling and distribution expenses increased marginally by RMB0.3 million in FPE2012 as a result of higher inspection expenses, transportation cost and staff salaries. The increase of general and administration expenses by RMB3.4 million from RMB3.6 million in FPE2011 to RMB7.0 million in FPE2012 was attributable to the higher salaries and wages for new duck farming employees hired, property tax expenses and amortisation expenses of our land use rights acquired for our new duck farming division which was accrued in the last quarter.

Review of Balance Sheet

Our Group’s inventories decreased by RMB6.7 million from RMB16.9 million in 31 December 2011 to RMB10.2 million in FPE2012, the decrease was mainly due to sales of asparagus tea in bulk on current quarter. Trade receivables reduced by RMB77.8 million from RMB90.5 million in 31 December 2011 to RMB12.7 million in FPE2012 and this was due to a reduction in revenue in the month of June 2012. On the other hand, other receivables increased by RMB0.38 million from RMB0.06 million in 31 December 2011 to RMB0.4 million in FPE2012 due to amount extended to Japan marketing office for pre-operating expenses. The increase in prepayment for land use right was due to amount prepaid to acquire 4 pieces of land in the current quarter, the details and purpose of the acquisition of land use rights were announced in the previous announcement dated 29 August 2012. The decrease in trade payables by RMB7.1 million from RMB27.5 million at 31 December 2011 to RMB20.4 million in FPE2012 was mainly due to a reduction in purchases. Other payables reduced by RMB42.7 million from RMB76.3 million at 31 December 2011 to RMB33.6 million in FPE2012 was mainly attributable to payment for contractors costs for the building of our duck farm and third factory.

The Group acquired additional non-current assets of total RMB67.7 million, comprising mainly the construction in progress for our third factory and duck farming facilities net of depreciation and amortisation charged for the period of RMB3.4million.

Review of Cashflow Statement

Net cash generated from operating activities decreased by RMB38.1 million from RMB109.6 million for FPE2011 compared to RMB71.5 million in FPE2012. The decrease was mainly due to lower net profit generated for the financial period.

Net cash used in investing activities decreased by RMB68.6 million from RMB232.2 million to RMB163.6 million. The decrease was mainly attributable to lesser land use rights and construction workspaid this year in the comparing quarters.



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2. Variation of results against immediate preceding quarter

	Current Quarter 30 June 2012		Preceding Quarter 31 March 2012	
	RMB'000	RM'000	RMB'000	RM'000
Revenue	111,825	56,695	213,959	103,963
Profit Before Taxation	18,527	9,392	67,560	32,827
Profit After Taxation	13,172	6,677	50,414	24,496

The Group recorded revenue of RMB111.8 million in the current quarter, which is approximately RMB102.1 million lower than RMB213.9 million in the immediate preceding quarter. The decrease in revenue for the current quarter is mainly due to stiff competition the Group has been experiencing as explained.

The GP margin for the current quarter was 20.5%, as compared to 33.3% in the preceding quarter due to a lower GP margin achieved during the quarter under review which was affected by challenging market competition. The net profit before taxation and net profit after taxation for the current quarter was achieved at RMB 18.5 million and RMB 13.2 million respectively. The net profit before taxation and net profit after taxation has decreased significantly compared to RMB67.6 million and RMB50.4 million respectively achieved in the preceding quarter. The decrease was mainly due to the significant decreased in revenue and gross profit and increase in general and administration cost.

3. Prospects for FYE 2012

With the setting up of a marketing office in Tokyo, Japan and having received the export license for exporting poultry products to Singapore, we expect higher revenue to be generated from Japan and Singapore orders for the year 2012. We have acquired approximately 200,000 parent duck stocks as our first batch of duck farming business in May 2012. We expect our duck farming business to generate its first revenue in the last quarter this year by selling its ducklings to the domestic market. We do not expect significant contribution from our duck farming business to our revenue in the current financial year. Our third food processing factory shall be ready for commercial production in the third quarter of 2012, pending the installation of production equipment and Halal certification procedures. We expect the third food processing factory to contribute to our growth in revenue for FYE2012.

Our cost of sales for FYE2012 is expected to be higher than FYE2011 with the increase in labour costs as a result of adjustments made to meet the minimum wages imposed by the China authority, the amortisation of land use rights, and additional depreciation on new duck farming facilities, factories, plant, machineries & equipments and preparation stages of our new food processing factory, duck meat processing factory and duck farms this year.

Due to the increase in competition in the food market worldwide, we expect our revenue and gross profit margin to continue to be affected until the third quarter of the year. We believe the revenue will be back on track in the end of the year as we are able to acquire more sales by servicing our Japanese customer directly through our Japanese marketing office.



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4. Profit forecast

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

5. Income tax expenses

	Individual Quarter		Cumulative Quarter	
	RMB'000	RM'000	RMB'000	RM'000
Income tax expenses	5,355	2,715	22,501	11,408

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 income tax was made as the dividends receivable by the Company from its subsidiary will not be taxable under the applicable law.

The effective tax rate of our Group for the current quarter and financial year-to-date were approximately 28.9% and 26.1% as compared to the applicable tax rate of 25.0% due to the non-deductible expenses incurred by our holding Company.

6. Sales of unquoted investment / properties

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

7. Purchase or disposal of quoted securities

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

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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	5,000	-	Fully utilized
(ii) Setting up of a modern poultry processing facility	5,000	5,000	-	Fully utilized
(iii) Setting up of a third production plant and corporate headquarters building in PRC	15,000	15,000	-	Fully utilized
(iv) Construction of Halal food processing facility in Malaysia	5,000	-	5,000	Within 24 months
(v) Working capital	4,304	4,304	-	Fully utilized
(vi) Estimated listing expenses	10,000	10,000	-	Fully utilized
Total	44,304	39,304		

9. Group's borrowings and debt securities

The Group's borrowings and debt securities as of 30 June 2012 were as follows:

	RMB'000	RM'000
Loans – unsecured*	15,460	7,838
Loans – unsecured**	13,565	6,877

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 “Ultimate-shareholders”) amounting to RMB21.80 million as lenders. 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 Ex-shareholders amounting to RMB15.31 million.

Loans – unsecured**

On 3rd October 2011, the Company entered into a loan agreement with Strategic Capital Partners Pte. Ltd. (a Shareholder with 0.004% shareholding of the Group) amounting to RMB17.5 million of which RMB4.8 million has been repaid as at 31st March 2012. The purpose of the said loan is for working capital. The said loan has been extended to the Company at interest rate of 8% per annum and is repayable at the end of financial year 2012.



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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 has been 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 2012 and 31 March 2012 are analysed as below:

	Current Financial Period		Preceding Financial Period	
	RMB'000	RM'000	RMB'000	RM'000
Total Retained Earnings of the Company and its subsidiary:				
- Realised	671,671	340,537	658,946	320,181
- Unrealised	228	116	(219)	(106)
Total Group Retained Earnings	671,899	340,653	658,727	320,075



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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 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Profit attributable to equity holders of the company	13,172	65,808	6,677	30,924	63,586	121,567	32,238	57,125
Weighted average number of ordinary share in issue ('000)	468,000	468,000	468,000	468,000	468,000	468,000	468,000	468,000
Earning Per Share - Basic (RMB cents/ sen)	2.81	14.06	1.43	6.61	13.59	25.98	6.89	12.21

By Order of the Board

SHEN HENGBAO
Chief Executive Officer