



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 THIRD QUARTER ENDED 30 SEPTEMBER 2012

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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 Sept 2012	30 Sept 2011	30 Sept 2012	30 Sept 2011	30 Sept 2012	30 Sept 2011	30 Sept 2012	30 Sept 2011
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Revenue	118,465	221,447	57,906	110,524	444,249	627,135	217,149	313,003
Cost of sales	(136,739)	(140,978)	(66,838)	(70,362)	(368,237)	(380,107)	(179,994)	(189,712)
Gross Profit	(18,274)	80,469	(8,932)	40,162	76,012	247,028	37,155	123,292
Other operating income	331	458	162	228	1,356	1,303	663	650
Selling and distribution expenses	(1,229)	(474)	(601)	(237)	(2,449)	(1,412)	(1,198)	(705)
General and administrative expenses	(2,805)	(4,204)	(1,371)	(2,098)	(9,812)	(7,816)	(4,796)	(3,901)
Other operating expenses	(969)	(133)	(474)	(66)	(1,130)	(272)	(553)	(135)
Operating profits	(22,946)	76,116	(11,216)	37,991	63,977	238,831	31,271	119,201
Finance costs	(447)	(175)	(218)	(87)	(1,283)	(524)	(627)	(262)
(Loss)/Profit Before Taxation	(23,393)	75,941	(11,434)	37,902	62,694	238,307	30,644	118,939
Taxation	-	(17,586)	-	(8,777)	(22,501)	(58,385)	(10,998)	(29,140)
(Loss)/Profit After Taxation	(23,393)	58,355	(11,434)	29,125	40,193	179,922	19,646	89,799
Other comprehensive income for the period (net of tax)	-	-	-	-	-	-	-	-
Total comprehensive(loss)/income after tax	(23,393)	58,355	(11,434)	29,125	40,193	179,922	19,646	89,799



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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 Sept 2012	30 Sept 2011	30 Sept 2012	30 Sept 2011	30 Sept 2012	30 Sept 2011	30 Sept 2012	30 Sept 2011
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
(Loss)/Profit attributable to:-								
- Equity holders of HB	(23,393)	58,355	(11,434)	29,125	40,193	179,922	19,646	89,799
Total comprehensive (loss)/income attributable to:-								
- Equity holders of HB	(23,393)	58,355	(11,434)	29,125	40,193	179,922	19,646	89,799
(Loss)/Earning Per Share *								
- Basic (RMB cents/ sen)	(4.99)	12.47	(2.44)	6.22	8.59	38.44	4.20	19.19
- 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 : RM0.4888 at 30 September 2012 and RMB1: RM0.4991 at 30 September 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 THIRD QUARTER ENDED 30 SEPTEMBER 2012

#### Condensed Consolidated Statements of Financial Positions

	Unaudited As at 30 Sept 2012	Audited As at 31 December 2011	Unaudited As at 30 Sept 2012	Audited As at 31 December 2011
	RMB'000	RMB'000	RM'000	RM'000
<b>Non-Current Assets</b>				
Property, plant and equipment	52,575	51,604	25,699	25,977
Construction in progress	299,075	173,487	146,188	87,333
Biological assets	22,652	-	11,072	-
Intangible assets	128,777	130,815	62,946	65,852
	503,079	355,906	245,905	179,162
<b>Current Assets</b>				
Inventories	11,072	16,961	5,412	8,538
Trade receivables	53,794	90,485	26,295	45,550
Other receivables	612	62	299	31
Prepayment for land use right	116,093	-	56,746	-
Cash and bank balance	284,338	534,171	138,984	268,902
	465,909	641,679	227,736	323,021
<b>TOTAL ASSETS</b>	968,988	997,585	473,641	502,183
<b>Capital and Reserves</b>				
Share capital	146,161	146,161	71,443	73,577
Reserves	84,327	84,327	41,219	42,450
Retained earnings	648,506	608,313	316,990	306,225
<b>Total Equity</b>	878,994	838,801	429,652	422,252
<b>Non-Current Liabilities</b>				
Loan from shareholders	15,642	15,134	7,646	7,618
<b>Current Liabilities</b>				
Trade payables	47,961	27,488	23,443	13,837
Other payables	9,458	76,263	4,623	38,391
Short term borrowing	-	10,000	-	5,034
Income tax liabilities	2,000	16,845	978	8,480
Amount due to a shareholder	14,933	13,054	7,299	6,571
	74,352	143,650	36,343	72,313
<b>Total Liabilities</b>	89,994	158,784	43,989	79,931
<b>TOTAL EQUITY AND LIABILITIES</b>	968,988	997,585	473,641	502,183
Net asset per share attributable to equity holders of the Company (RMB / RM) <sup>(i)</sup>	1.88	1.79	0.92	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 September 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 : RM0.4888 at 30 September 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 THIRD QUARTER ENDED 30 SEPTEMBER 2012

#### Unaudited Condensed Consolidated Statements Of Changes In Equity

9 months ended 30 Sept 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	-	-	-	40,193	40,193
At 30 September 2012	<u>146,161</u>	<u>76,090</u>	<u>8,237</u>	<u>648,506</u>	<u>878,994</u>

9 months ended 30 Sept 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	71,443	37,193	4,026	297,344	410,006
Total comprehensive income for the period	-	-	-	19,646	19,646
At 30 September 2012	<u>71,443</u>	<u>37,193</u>	<u>4,026</u>	<u>316,990</u>	<u>429,652</u>

Note:

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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012

#### Unaudited Condensed Consolidated Statements Of Changes In Equity (continue)

9 months ended 30 Sept 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	-	-	-	179,922	179,922
Transfer to reserves	-	18,073	-	(18,073)	-
Dividend in respect of the financial ended: - 31 December 2010	-	-	-	(16,878)	(16,878)
At 30 September 2011	<u>146,161</u>	<u>71,109</u>	<u>8,237</u>	<u>575,391</u>	<u>800,898</u>

9 months ended 30 Sept 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	72,949	26,470	4,111	214,823	318,353
Total comprehensive income for the period	-	-	-	89,799	89,799
Transfer to reserves	-	9,020	-	(9,020)	-
Dividend in respect of the financial ended: - 31 December 2010	-	-	-	(8,424)	(8,424)
At 30 September 2011	<u>72,949</u>	<u>35,490</u>	<u>4,111</u>	<u>287,178</u>	<u>399,728</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.

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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012

#### Unaudited Condensed Consolidated Statements Of Cash Flow

	As at 30 Sept 2012 RMB'000	As at 30 Sept 2011 RMB'000	As at 30 Sept 2012 RM'000	As at 30 Sept 2011 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before income tax	62,694	238,307	30,644	118,939
Adjustments for:				
Depreciation	3,199	3,002	1,564	1,498
Amortisation	2,038	2,507	996	1,251
Interest expense	1,283	524	627	262
Interest income	(1,331)	(1,303)	(651)	(650)
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	67,883	243,037	33,180	121,300
In inventories	5,889	(38,615)	2,879	(19,273)
In trade and other receivables	33,891	(14,989)	16,566	(7,481)
In trade and other payables	(43,945)	25,514	(21,480)	12,734
<b>Cash from operations</b>	63,718	214,947	31,145	107,280
Income tax paid	(37,346)	(60,144)	(18,255)	(30,018)
Interest received	1,331	1,303	651	650
<b>Net cash generated from operating activities</b>	27,703	156,106	13,541	77,912
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	(4,170)	(491)	(2,038)	(245)
Purchase of intangible assets	(116,093)	(119,578)	(56,746)	(59,681)
Increase in biological asset	(22,652)	-	(11,072)	-
Payment of construction in progress	(123,338)	(61,800)	(60,288)	(30,844)
<b>Net cash used in investing activities</b>	(266,253)	(181,869)	(130,144)	(90,771)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Interest Expense	(1,283)	-	(627)	-
Proceed from borrowing	-	10,000	-	4,991
Shareholder Loan	-	12,420	-	6,199
Repayment of short term loan	(10,000)	-	(4,888)	-
<b>Net cash (used in)/generated from financing activities</b>	(11,283)	22,420	(5,515)	11,190
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(249,833)	(3,343)	(122,118)	(1,669)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>	534,171	563,603	261,102	281,294
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	284,338	560,260	138,984	279,625

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 THIRD QUARTER ENDED 30 SEPTEMBER 2012

#### A. SELECTED EXPLANATORY NOTES TO THE UNAUDITED FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 September 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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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012

**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 Period Ended 30 Sept 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	387,172	43,538	-	13,539	444,539
<b>Segment results</b>	62,074	8,048	-	5,890	76,012
Other gains					1,356
Unallocated costs					(13,391)
Finance expenses					(1,283)
Profit before income tax					62,694
Income tax expense					(22,501)
<b>Profit for the period</b>					<b>40,193</b>
<b>Other segment information:</b>					
Depreciation and amortisation					5,237
Capital expenditures					152,410

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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012

#### 8. Segment information (continue)

<u>Financial Period Ended 30 Sept 2012</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	189,249	21,282	-	6,618	217,149
<b>Segment results</b>	30,342	3,934	-	2,879	37,155
Other gains					663
Unallocated costs					(6,547)
Finance expenses					(627)
Profit before income tax					30,644
Income tax expense					(10,998)
<b>Profit for the period</b>					<u>19,646</u>
<b>Other segment information:</b>					
Depreciation and amortisation					2,560
Capital expenditures					<u>74,498</u>

Note:

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<u>Financial Period ended 30 Sept 2011</u>					
	<u>Ready-to-serve Food</u> RMB'000	<u>Frozen Vegetables</u> RMB'000	<u>Canned Food</u> RMB'000	<u>Others</u> RMB'000	<u>Total</u> RMB'000
Revenue	523,787	97,870	-	5,479	627,136
<b>Segment results</b>	198,591	46,425	-	2,012	247,028
Other gains					1,303
Unallocated costs					(9,500)
Finance expenses					(524)
Profit before income tax					238,307
Income tax expense					(58,385)
<b>Profit for the year</b>					<u>179,922</u>
<b>Other segment information:</b>					
Depreciation and amortisation					2,065
Capital expenditures					<u>181,869</u>



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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012

#### 8. Segment information (continue)

<b>Financial Period ended 30 Sept 2011</b>					
	<b><u>Ready-to-serve Food</u></b>	<b><u>Frozen Vegetables</u></b>	<b><u>Canned Food</u></b>	<b><u>Others</u></b>	<b><u>Total</u></b>
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	261,422	48,847	-	2,735	313,003
<b>Segment results</b>	99,117	23,171	-	1,004	123,292
Other gains					650
Unallocated costs					(4,741)
Finance expenses					(262)
Profit before income tax					118,939
Income tax expense					(29,140)
<b>Profit for the period</b>					<b>89,799</b>
<b>Other segment information:</b>					
Depreciation and amortisation					1,031
Capital expenditures					90,771

Note:

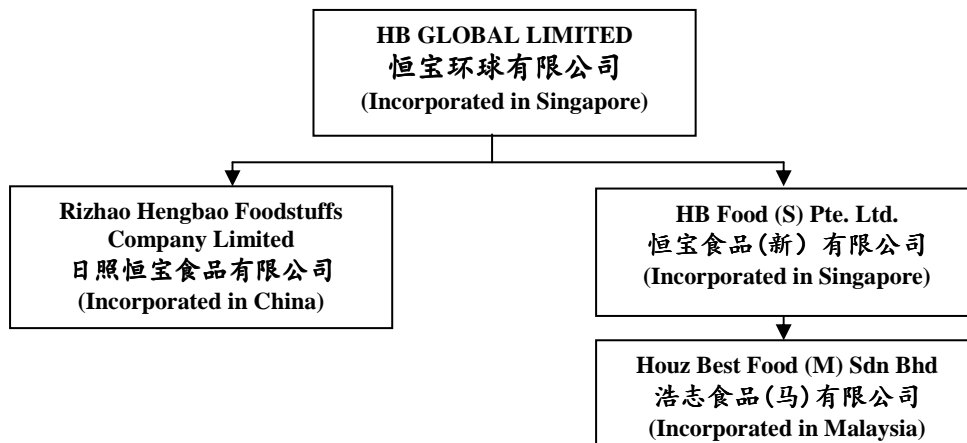
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#### 9. Subsequent events

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. The purpose of setting up HBFSB shall be as holding company for Halal food processing operations of the Group and as Halal food trading Company in Malaysia.





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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012

#### 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 RMB152.4 million, consist of property, plant and equipment, construction in progress facilities and biological assets net of depreciation and amortisation charged for the year of RMB5.2million.

#### 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	4,267
Construction of duck poultry and slaughter factory, duck incubation farm, duckling nurture farm	8,750	4,277

#### 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	108	660	323
Post employment benefits	1	0.5	3	1.5

## 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 RMB182.9 million or approximately 29.2% from RMB627.1 million in financial period ended 30 September 2011 ("FPE2011") to RMB444.2 million in financial period ended 30 September 2012 ("FPE2012"). The decrease is mainly due to our main market in Japan continuing to suffer stiff price competition from May 2012 in the last quarter until August 2012, and general inflation control by China Government such as CIQ control, export control, money policy & etc.. However we saw price recovery starting from the month of September 2012. Hence, sales of ready-to-serve ("RTS") products decreased substantially by RMB136.6 million from RMB523.8 million in FPE2011 to RMB387.2 million in FPE2012. Additionally, there has been a decrease in the sales of frozen vegetables' products by RMB54.4 million from RMB97.9 million in FPE2011 to RMB43.5 million in FPE2012.

Sales to the China market, which were indirect exports to Japan decreased by 33.5% or RMB192.6 million from RMB575.4 million in FPE2011 to RMB382.8 million in FPE2012. While on the other hand, our direct sales to Japan increased marginally by RMB6.8 million in FPE2012 in the more challenging market condition.



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Gross Profit (“GP”) decreased by RMB171.0 million or 69.2% from RMB247.0 million FPE2011 to RMB76.0 million in FPE2012. The reduction in GP was caused by the continuing stiff price competition from the second quarter where we were forced to secure and maintain our market share. Net profit before taxation decreased by RMB175.6 million or 73.7%, from RMB238.3 million in FPE2011 to RMB62.7 million in FPE2012. The decrease was mainly caused by the reduction in gross profit from May 2012 till August 2012 as explained, the increase in selling and distribution expenses of RMB 1.0 million and general and administrative expenses of RMB2.0 million in FPE2012.

Other operating income increased marginally from RMB1.3 million in FPE2011 to RMB1.4 million in FPE2012 which was due to reversal of overprovision of fees. Selling and distribution expenses increased by RMB1.0 million in FPE2012 due to higher inspection fees incurred for export goods, the increase in transportation cost as a result of higher fuel price and also the increase in staff salaries. The increase of general and administration expenses by RMB2.0 million from RMB7.8 million in FPE2011 to RMB9.8 million in FPE2012 was attributable to the increase in staff salaries to comply with provincial manpower department policy and also new payroll on wages incurred for new duck farming employees hired, additional property tax expenses and amortisation expenses of our new land use rights acquired for our new duck farming division and higher utility fees such as water & electricity as we have moved into our new corporate head quarter. The increase in other operating expenses by RMB0.8 million from RMB0.3 million in FPE2011 to RMB1.1 million in FPE2012 was mainly due to the increase in foreign exchange losses.

#### Review of Balance Sheet

Our Group’s inventories decreased by RMB5.8 million from RMB16.9 million in 31 December 2011 to RMB11.1 million in FPE2012, the decrease was mainly due to sales of asparagus tea in bulk on current year. Trade receivables reduced by RMB36.7 million from RMB90.5 million in 31 December 2011 to RMB53.8 million in FPE2012 is due to our revenue decreasing in the third quarter of 2012 and more timely debt collection from customers. Other receivables increased by RMB0.54 million from RMB0.06 million in 31 December 2011 to RMB0.6 million in FPE2012 due to the amount extended to Japan marketing office for pre-operating expenses. The increase in prepayment for land use rights was due to the amount prepaid to acquire 4 pieces of land during the year. The increase in trade payables by RMB20.5 million from RMB27.5 million at 31 December 2011 to RMB48.0 million in FPE2012 was mainly due to timing of purchases of duck meat towards the end of the third quarter. Other payables reduced by RMB66.8 million from RMB76.3 million at 31 December 2011 to RMB9.5 million in FPE2012 was mainly due to reduction in VAT input tax offsetting and also with payment for contractors costs for the building of our duck farm and third factory.

The Group acquired additional non-current assets of total RMB152.4 million, consisting of property, plant and equipment, construction in progress facilities and biological assets net of depreciation and amortisation charged for the year of RMB5.2million.

#### Review of Cashflow Statement

Net cash generated from operating activities decreased by RMB128.4 million from RMB156.1 million for FPE2011 compared to RMB27.7 million in FPE2012. The reduction was mainly due to lower net profit generated in the current financial period.

Net cash used in investing activities increased by RMB84.4 million from RMB181.9 million to RMB266.3 million. The increase was mainly attributable to payment for construction works and plant & machinery for the duck farming & incubation facilities and renovation for headquarters.



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#### 2. Variation of results against immediate preceding quarter

	Current Quarter 30 Sept 2012		Preceding Quarter 30 June 2012	
	RMB'000	RM'000	RMB'000	RM'000
Revenue	118,465	57,906	111,825	56,695
(Loss)/Profit Before Taxation	(23,393)	(11,434)	18,527	9,392
(Loss)/Profit After Taxation	(23,393)	(11,434)	13,172	6,677

The Group recorded revenue of RMB118.5 million in the current quarter, which is approximately RMB6.6 million higher than RMB111.8 million in the immediate preceding quarter. The slight increase in revenue for the current quarter is mainly due to price recovery towards the end of current quarter.

The Gross Loss margin for the current quarter was 15.4%, as compared to GP margin of 20.5% in the preceding quarter due to a lower selling price achieved during the month of July and August 2012 which was continuously affected by challenging market competition that happened in previous quarter in the month of June 2012. Both the net loss before taxation and net loss after taxation for the current quarter was achieved at RMB23.3 million. The net loss before and after taxation of RMB23.4 million as compared to net profit before and after tax of RMB18.5 million and RMB13.2 million respectively achieved in the preceding quarter was mainly due to the significant decrease in revenue that caused net loss situation and increase in sales & distribution expenses and general & administration cost.

#### 3. Prospects for FYE 2012

We are currently breeding approximately 296,000 parent ducks in our duck farms in Juxian County of which approximately 180,000 parent ducks has since October 2012 began laying eggs and started to generate revenue for our Group. With our incubation plant installing with machinery, we expect to have revenue from the sale of ducklings upon the commencement of operation of the plant in the end of the year. We do not expect significant contribution from our duck farming business to our revenue in the current financial year. Our third factory (pending Halal certification) has commenced production focusing on the processing of vegetables and spring roll products. We have submitted our application for Halal certification this month and expect to obtain approval in the first quarter 2013. We expect the third food processing factory to contribute to our growth in revenue for FYE2012.

Our cost of sales for FYE2012 will continue to be affected with the increase in raw material cost especially poultry materials, labour costs as a result of increment in salaries 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.

As our duck farming business is still in transition stage, we expect to incur losses by just selling duck eggs and duckling as the costs of rearing the ducks are high. However we believe we will be able to generate positive income after the completion and operation of our poultry slaughtering and processing facilities.

The Group expects the performance of the business to improve and the Group is expected to be profitable at the last quarter of the financial year due to the recovery in selling prices since September 2012. Additionally, the Group has also deliberated and decided not to pursue the secondary listing in one of the overseas bourses.



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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% & 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
<b>Total</b>	<b>44,304</b>	<b>39,304</b>		

#### 9. Group's borrowings and debt securities

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

	RMB'000	RM'000
Loans – unsecured*	15,642	7,646
Loans – unsecured**	14,933	7,299

##### 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 3<sup>rd</sup> 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





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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.

#### 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 September 2012 and 30 June 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	649,089	317,275	671,671	340,537
- Unrealised	(583)	(285)	228	116
Total Group Retained Earnings	648,506	316,990	671,899	340,653



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THE THIRD QUARTER ENDED 30 SEPTEMBER 2012

**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 Sept 2012	30 Sept 2011	30 Sept 2012	30 Sept 2011	30 Sept 2012	30 Sept 2011	30 Sept 2012	30 Sept 2011
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
(Loss)/Profit attributable to equity holders of the company	(23,393)	58,355	(11,434)	29,125	40,193	179,922	19,646	89,799
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
(Loss)/Earning Per Share - Basic (RMB cents/ sen)	(4.99)	12.47	(2.44)	6.22	8.59	38.44	4.20	19.19

By Order of the Board

SHEN HENGBAO  
Chief Executive Officer