



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 FOURTH QUARTER ENDED 31 DECEMBER 2012

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Revenue	151,010	210,941	74,569	106,188	595,259	838,076	293,939	421,887
Cost of sales	(107,498)	(142,114)	(53,083)	(71,540)	(475,735)	(522,221)	(234,918)	(262,886)
Gross Profit	43,512	68,827	21,486	34,648	119,524	315,855	59,021	159,001
Other operating income	786	466	388	235	2,142	1,769	1,058	891
Selling and distribution expenses	(1,063)	(639)	(525)	(322)	(3,512)	(2,051)	(1,734)	(1,032)
General and administrative expenses	(10,574)	(10,799)	(5,221)	(5,436)	(20,386)	(18,615)	(10,067)	(9,371)
Other operating expenses	(13,805)	(574)	(6,817)	(289)	(14,935)	(846)	(7,375)	(426)
Operating profits	18,856	57,281	9,311	28,836	82,833	296,112	40,903	149,063
Finance costs	(563)	(533)	(278)	(268)	(1,846)	(1,057)	(912)	(532)
Profit Before Taxation	18,293	56,748	9,033	28,568	80,987	295,055	39,991	148,531
Taxation	(5,605)	(18,845)	(2,768)	(9,487)	(28,106)	(77,230)	(13,879)	(38,878)
Profit After Taxation	12,688	37,903	6,265	19,081	52,881	217,825	26,112	109,653
Other comprehensive income for the period (net of tax)	-	-	-	-	-	-	-	-
Total comprehensive income after tax	12,688	37,903	6,265	19,081	52,881	217,825	26,112	109,653



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Profit attributable to:- - Equity holders of HB	12,688	37,903	6,265	19,081	52,881	217,825	26,113	109,653
Total comprehensive income attributable to:- - Equity holders of HB	12,688	37,903	6,265	19,081	52,881	217,825	26,113	109,653
Earning Per Share *								
- Basic (RMB cents/ sen)	2.71	8.10	1.34	4.08	11.30	46.54	5.58	23.43
- 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: RM0.4938 at 31 December 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 FOURTH QUARTER ENDED 31 DECEMBER 2012

Condensed Consolidated Statements of Financial Positions

	Unaudited As at 31 December 2012 RMB'000	Audited As at 31 December 2011 RMB'000	Unaudited As at 31 December 2012 RM'000	Audited As at 31 December 2011 RM'000
Non-Current Assets				
Property, plant and equipment	228,286	51,604	112,728	25,977
Construction in progress	150,477	173,487	74,306	87,333
Biological assets	27,224	-	13,443	-
Intangible assets	128,777	130,815	63,590	65,852
	534,764	355,906	264,067	179,162
Current Assets				
Inventories	14,453	16,961	7,137	8,538
Trade receivables	76,473	90,485	37,762	45,550
Other receivables	700	62	346	31
Prepayment for land use right	98,679	-	48,728	-
Cash and bank balance	252,583	534,171	124,725	268,902
	442,888	641,679	218,698	323,021
TOTAL ASSETS	977,652	997,585	482,765	502,183
Capital and Reserves				
Share capital	146,161	146,161	72,174	73,577
Reserves	84,327	84,327	41,641	42,450
Retained earnings	625,303	608,313	308,774	306,225
Total Equity	855,791	838,801	422,589	422,252
Non-Current Liabilities				
Loan from shareholders	15,750	15,134	7,777	7,618
Current Liabilities				
Trade payables	39,280	27,488	19,397	13,837
Other payables	39,860	76,263	19,683	38,391
Short term borrowing	-	10,000	-	5,034
Income tax liabilities	2,000	16,845	988	8,480
Amount due to a shareholder	-	13,054	-	6,571
Amount due to director	24,971	-	12,331	-
	106,111	143,650	52,399	72,313
Total Liabilities	121,861	158,784	60,176	79,931
TOTAL EQUITY AND LIABILITIES	977,652	997,585	482,765	502,183
Net asset per share attributable to equity holders of the Company (RMB / RM) ⁽¹⁾	1.83	1.79	0.90	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 31 December 2012 and 31 December 2011 divided by the number of ordinary shares of 468,000,000.
- (2) The financial statements are presented in RMB and translated into RM for information purposes and reference at the exchange rate of RMB1: RM0.4938 at 31 December 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 FOURTH QUARTER ENDED 31 DECEMBER 2012

Unaudited Condensed Consolidated Statements Of Changes In Equity

12 months ended 31 December 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
Dividend in respect of the financial ended: - 31 December 2011	-	-	-	(35,891)	(35,891)
Total comprehensive income for the period	-	-	-	52,881	52,881
At 31 December 2012	<u>146,161</u>	<u>76,090</u>	<u>8,237</u>	<u>625,303</u>	<u>855,791</u>

12 months ended 31 December 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	72,174	37,574	4,067	300,385	414,200
Dividend in respect of the financial ended: - 31 December 2011	-	-	-	(17,723)	(17,723)
Total comprehensive income for the period	-	-	-	26,113	26,113
At 31 December 2012	<u>72,174</u>	<u>37,574</u>	<u>4,067</u>	<u>308,775</u>	<u>422,590</u>

Note:

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012

Unaudited Condensed Consolidated Statements Of Changes In Equity (continue)

12 months ended 31 December 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	-	-	-	217,825	217,825
Transfer to reserves	-	23,054	-	(23,054)	-
Dividend in respect of the financial ended: - 31 December 2010	-	-	-	(16,878)	(16,878)
At 30 September 2011	<u>146,161</u>	<u>76,090</u>	<u>8,237</u>	<u>608,313</u>	<u>838,801</u>

12 months ended 31 December 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	73,577	26,698	4,147	216,673	321,095
Total comprehensive income for the period	-	-	-	109,653	109,653
Transfer to reserves	-	11,605	-	(11,605)	-
Dividend in respect of the financial ended: - 31 December 2010	-	-	-	(8,496)	(8,496)
At 31 December 2011	<u>73,577</u>	<u>38,304</u>	<u>4,147</u>	<u>306,225</u>	<u>422,252</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:

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012

Unaudited Condensed Consolidated Statements Of Cash Flow

	As at 31 Dec 2012	As at 31 Dec 2011	As at 31 Dec 2012	As at 31 Dec 2011
	RMB'000	RMB'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before income tax	80,987	295,055	39,991	148,531
Adjustments for:				
Depreciation	4,859	4,078	2,399	2,053
Amortisation	2,038	2,719	1,006	1,369
Fair value adjustment	12,751	-	6,297	-
Interest expense	1,846	1,057	912	532
Interest income	(2,062)	(1,769)	(1,018)	(891)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	100,419	301,140	49,587	151,594
In inventories	2,508	(9,325)	1,238	(4,694)
In trade and other receivables	13,374	(22,614)	6,604	(11,384)
In trade and other payables	(12,078)	7,073	(5,964)	3,560
Cash from operations	104,223	276,274	51,465	139,076
Income tax paid	(42,951)	(79,730)	(21,209)	(40,136)
Interest received	2,062	1,769	1,018	891
Net cash generated from operating activities	63,334	198,313	31,274	99,831
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(181,541)	(326)	(89,645)	(164)
Purchase of intangible assets	(118,131)	(119,686)	(58,332)	(60,250)
Purchase of biological asset	(39,975)	-	(19,740)	-
Rebate received from government for prepaid leasehold land	17,414	-	8,599	-
Movement of construction in progress	25,260	(113,550)	12,473	(57,161)
Net cash used in investing activities	(296,973)	(233,562)	(146,645)	(117,575)
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest Expense	(1,846)	-	(912)	-
Proceed from borrowing	-	10,000	-	5,034
Shareholder Loan	-	12,695	-	6,390
Repayment of short term loan	(10,212)	-	(5,043)	-
Payment of dividend	(35,891)	(16,878)	(17,723)	(8,496)
Net cash (used in)/generated from financing activities	(47,949)	5,817	(23,678)	2,928
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(281,588)	(29,432)	(139,049)	(14,816)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	534,171	563,603	263,774	283,718
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	252,583	534,171	124,725	268,902

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 FOURTH QUARTER ENDED 31 DECEMBER 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 31 December 2012.

c) Basis of consolidation

The financial statements of the Group include the financial statements of the Company and its subsidiaries 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.

5. Changes in estimates



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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

The Group had paid dividend in respect of the financial ended 2011 of RMB35.9 million in the current quarter under review.

8. Segment information

Financial Year Ended 31 December 2012					
	<u>Ready-to-serve Food</u>	<u>Frozen Vegetables</u>	<u>Eggs</u>	<u>Others</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	520,907	53,263	8,724	12,365	595,259
Segment results	96,422	9,327	8,724	5,051	119,524
Other gains					2,142
Unallocated costs					(38,883)
Finance expenses					(1,846)
Profit before income tax					80,987
Income tax expense					(28,106)
Profit for the period					52,881
Other segment information:					
Depreciation and amortisation					6,897
Capital expenditures					196,256

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8. Segment information (continue)

Financial Period Ended 31 December 2012					
	<u>Ready-to-serve Food</u> RM'000	<u>Frozen Vegetables</u> RM'000	<u>Eggs</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
Revenue	257,224	26,301	4,308	6,106	293,939
Segment results	47,613	4,606	4,308	2,494	59,021
Other gains					1,058
Unallocated costs					(19,176)
Finance expenses					(912)
Profit before income tax					39,991
Income tax expense					(13,879)
Profit for the period					26,112
Other segment information:					
Depreciation and amortisation					3,406
Capital expenditures					96,911

Note:

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Financial Year ended 31 December 2011					
	<u>Ready-to-serve Food</u> RMB'000	<u>Frozen Vegetables</u> RMB'000	<u>Eggs</u> RMB'000	<u>Others</u> RMB'000	<u>Total</u> RMB'000
Revenue	708,659	118,664	-	10,753	838,076
Segment results	257,237	53,470	-	5,148	315,855
Other gains					1,769
Unallocated costs					(21,512)
Finance expenses					(1,057)
Profit before income tax					295,055
Income tax expense					(77,230)
Profit for the year					217,825
Other segment information:					
Depreciation and amortisation					6,797
Capital expenditures					286,262

8. Segment information (continue)



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Financial Year ended 31 December 2011					
	Ready-to-serve Food	Frozen Vegetables	Canned Food	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	356,739	59,735	-	5,413	421,867
Segment results	129,493	26,917	-	2,592	159,001
Other gains					891
Unallocated costs					(10,829)
Finance expenses					(532)
Profit before income tax					148,531
Income tax expense					(38,878)
Profit for the period					109,653
Other segment information:					
Depreciation and amortisation					3,422
Capital expenditures					144,104

Note:

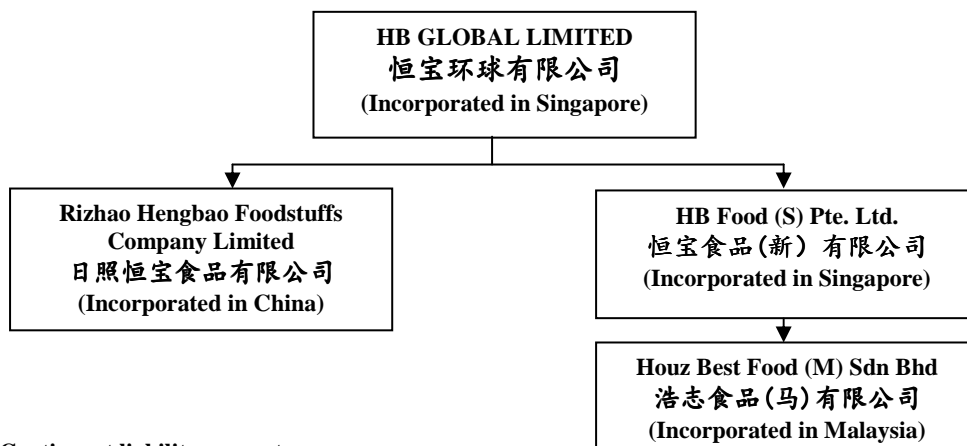
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9. Subsequent events

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 will be the holding company for Halal food processing operations of the Group and as Halal food trading Company in Malaysia.



11. Contingent liability or assets



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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 RMB196.3 million, consist of property, plant and equipment, construction in progress facilities and biological assets net of depreciation and amortisation charged for the year of RMB6.9 million.

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
Construction of feedstock plant, duck slaughtering & processing plant and Head Quarter ground hardening	44,000	21,727

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	109	880	435
Post employment benefits	1	0.5	4	2.0

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 RMB242.8 million or approximately 29.0% from RMB838.1 million in financial year ended 31 December 2011 ("FYE2011") to RMB595.3 million in financial year ended 31 December 2012 ("FYE2012"). The decrease is attributable to general decrease in food price index globally, fierce price competition suffered in Japan market during the middle of the year from May 2012 until August 2012, and action taken by China Government to curb inflation such as CIQ control, export control, money policy, and etc. We saw price recovery from the month of November 2012 towards the end of the year. Sales of ready-to-serve ("RTS") products decreased substantially by RMB187.7 million from RMB708.6 million in FYE2011 to RMB520.9 million in FYE2012. Additionally, there has been a decrease in the sales of frozen vegetables' products by RMB65.4 million from RMB118.7 million in FYE2011 to RMB53.5 million in FYE2012.

Sales to the China market, which were indirect exports to Japan decreased by 32.3% or RMB246.9 million from RMB764.5 million in FPE2011 to RMB517.6 million in FYE2012. However, our direct sales to Japan increased marginally by RMB4.0 million in FYE2012 despite the more challenging market condition with the contribution from new Japan marketing office.

Gross Profit ("GP") decreased by RMB196.3 million or 62.2% from RMB315.8 million FYE2011 to RMB119.5 million in FYE2012. The reduction in GP was caused by the stiff price competition in the middle of the year that



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forced us to compete in order to secure and maintain our market share. Net profit before taxation decreased by RMB214.0 million or 76.5%, from RMB295.0 million in FYE2011 to RMB81.0 million in FYE2012. The decrease was mainly caused by the reduction in gross profit in the mid of the year as explained.

Other operating income increased marginally from RMB1.8 million in FYE2011 to RMB2.1 million in FYE2012 which was due to reversal of overprovision of fees. Selling and distribution expenses increased by RMB1.5 million in FYE2012 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 RMB1.8 million from RMB18.6 million in FYE2011 to RMB20.4 million in FYE2012 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 headquarters. The increase in other operating expenses by RMB14.1 million from RMB0.8 million in FYE2011 to RMB14.9 million in FYE2012 was mainly due to the fair value adjustment on our biological assets.

Review of Balance Sheet

Our Group's inventories decreased by RMB2.5 million from RMB16.9 million in 31 December 2011 to RMB14.4 million in FYE2012, the decrease was mainly due to sales of asparagus tea in bulk in the current year and also late arrival of festive season this year. Trade receivables reduced by RMB14.0 million from RMB90.5 million in 31 December 2011 to RMB76.5 million in FYE2012 and this was mainly due to the reduction in our revenue and more timely debt collection from customers. Other receivables increased by RMB0.64 million from RMB0.06 million in 31 December 2011 to RMB0.7 million in FYE2012 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 RMB11.7 million from RMB27.5 million at 31 December 2011 to RMB39.2 million in FYE2012 was mainly due to timing of purchases of raw materials. Other payables reduced by RMB36.4 million from RMB76.3 million at 31 December 2011 to RMB39.9 million in FYE2012 was mainly due to payment made for contractors costs for the building of new facilities.

The Group acquired additional non-current assets of total RMB196.3 million, consisting of property, plant and equipment, construction in progress facilities and biological assets net of depreciation and amortisation charged for the year of RMB6.9million.

The amount due to director was a result of advance paid by a director for holding company's expenses and increase in the investment to Rizhao Hengbao. The advance is interest free and no fix repayment term.

Review of Cashflow Statement

Net cash generated from operating activities decreased by RMB134.9 million from RMB198.3 million for FYE2011 compared to RMB63.3 million in FYE2012. The reduction was mainly due to lower net profit generated in the current financial year.

Net cash used in investing activities increased by RMB63.4 million from RMB233.6 million to RMB296.9 million. The increase was mainly attributable to payment for construction works and plant & machinery for our new facilities.



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2. Variation of results against immediate preceding quarter

	Current Quarter 31 Dec 2012		Current Quarter 30 Sept 2012	
	RMB'000	RM'000	RMB'000	RM'000
Revenue	151,010	74,569	118,465	57,906
Profit/(Loss) Before Taxation	18,293	9,033	(23,393)	(11,434)
Profit/(Loss) After Taxation	12,688	6,265	(23,393)	(11,434)

The Group recorded revenue of RMB151.0 million in the current quarter, which is approximately RMB32.5 million higher than RMB118.5 million in the immediate preceding quarter. The increase in revenue for the current quarter is mainly due to price recovery towards the end of the year.

The Gross Profit margin for the current quarter was 20.1%, as compared to Gross Loss margin of 15.4% in the preceding quarter due to price recovery as explained. Both the net profit before taxation and net profit after taxation for the current quarter was achieved at RMB18.3 million and RMB12.7 million respectively. The improved situation was mainly due to reduction in the one off price competition towards the year end.

3. Prospects for FYE 2013

We expect our revenue to increase significantly due to the contribution of our duck farming business including revenue from duckling and the revenue from the sales of duck meat products. With the production of duck meat expected in FY2013, we will develop our duck meat products for the domestic market this year. As a result of the Japanese Yen depreciation lately, we expect our customers to request price reduction for our products to remain competitive in Japan.

For FY2013, our production overhead will be increasing in view of under-utilized capacity achieved during the start-up operations of our third food processing plant, poultry processing plant, incubating plant and amortization of biological assets. We expect labour costs to remain high this year after the salary adjustment last year.

The Group will continue to expand on our duck farming division with more facilities to be installed for the year of 2013 including additional parent duck farm, incubating equipment and meat duck farms.

We expect to receive our Halal certification in the middle of the year upon implementation of our poultry processing plant this year.

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



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Income tax expenses	5,605	2,768	28,106	13,879
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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 33.5% & 35.4% as compared to the applicable tax rate of 25.0% due to the non-deductible expenses.

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.

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



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Total	44,304	39,304		

9. Group's borrowings and debt securities

The Group's borrowings and debt securities as of 31 December 2012 were as follows:

	RMB'000	RM'000
Loans – unsecured*	15,750	7,777

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.

Note:-

(a) After incorporating the fair value adjustment made on the loan from Ex-shareholders amounting to RMB15.31 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 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 31 December 2012 and 30 September 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	625,264	308,756	649,089	317,275
- Unrealised	39	19	(583)	(285)
Total Group Retained Earnings	625,303	308,775	648,506	316,990



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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
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 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	12,688	37,903	6,265	19,081	52,881	217,825	26,112	109,653
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)	2.71	8.10	1.34	4.08	11.30	46.54	5.58	23.43

By Order of the Board

SHEN HENGBAO
Chief Executive Officer