



恒宝环球

HB 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 2013

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2013

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 2013	30 June 2012	30 June 2013	30 June 2012	30 June 2013	30 June 2012	30 June 2013	30 June 2012
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Revenue	59,017	111,825	30,234	56,695	219,372	325,784	112,384	165,172
Cost of sales	(76,740)	(88,850)	(39,314)	(45,047)	(197,250)	(231,498)	(101,050)	(117,369)
Gross profit	(17,723)	22,975	(9,080)	11,648	22,122	94,286	11,334	47,803
Other operating income	1,181	521	606	264	1,993	1,025	1,022	519
Selling and distribution expenses	(476)	(930)	(244)	(472)	(991)	(1,220)	(508)	(619)
General and administrative expenses	(4,365)	(3,773)	(2,236)	(1,913)	(8,979)	(7,007)	(4,600)	(3,553)
Other operating expenses	(1,186)	129	(608)	65	(4,180)	(161)	(2,141)	(80)
Operating profits	(22,569)	18,922	(11,562)	9,592	9,965	86,923	5,107	44,070
Finance costs	(6)	(395)	(4)	(200)	(6)	(836)	(4)	(424)
Profit before taxation	(22,575)	18,527	(11,566)	9,392	9,959	86,087	5,103	43,646
Taxation	(1,549)	(5,355)	(794)	(2,715)	(10,562)	(22,501)	(5,411)	(11,408)
Profit after taxation	(24,124)	13,172	(12,360)	6,677	(602)	63,586	(308)	32,238
Other comprehensive income for the period (net of tax)	-	-	-	-	-	-	-	-
Total comprehensive income after tax	(24,124)	13,172	(12,360)	6,677	(602)	63,586	(308)	32,238



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2013

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
	<u>30 June 2013</u>	<u>30 June 2012</u>	<u>30 June 2013</u>	<u>30 June 2012</u>	<u>30 June 2013</u>	<u>30 June 2012</u>	<u>31 June 2013</u>	<u>30 June 2012</u>
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Profit attributable to:-								
- Equity holders of HB	(24,124)	13,172	(12,360)	6,677	(603)	63,586	(308)	32,238
Total comprehensive income attributable to:-								
- Equity holders of HB	(24,124)	13,172	(12,360)	6,677	(603)	63,586	(308)	32,238
Earning Per Share *								
- Basic (RMB cents/ sen)	(5.15)	2.81	(2.64)	1.43	(0.13)	13.59	(0.07)	6.89
- 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 2012 and the accompanying explanatory notes attached to this financial report.

Note:

- 1) The earning per share attributable to equity holders of the Company is computed based on the total comprehensive income attributable to equity holder as at 30 June 2013 and 30 June 2012 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: RM0.5123 at 30 June 2013 and RMB 1: RM0.5070 at 30 June 2012 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.
- 3) The opening balance brought forward from last financial year ended 31 December 2012 has been reported by our auditor with a "disclaimer opinion". The Company has appointed Special Auditor to audit financial statement for year ended 31 December 2012 particularly on the areas that has been qualified with such "disclaimer opinion" by our auditor. The consolidated results for the first quarter ended 30 June 2013 may be subjected to the adjustment as a result of the Special Auditor's finding.



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2013

Condensed Consolidated Statements of Financial Positions

	Unaudited As at 30 June 2013	Audited As at 31 December 2012	Unaudited As at 30 June 2013	Audited As at 31 December 2012
	RMB'000	RMB'000	RM'000	RM'000
Non-Current Assets				
Property, plant and equipment	298,936	196,419	153,144	96,992
Construction in progress	121,859	175,027	62,428	86,428
Biological assets	23,467	3,658	12,022	1,806
Intangible assets	128,098	128,098	65,624	63,255
	572,360	503,202	293,218	248,481
Current Assets				
Inventories	109,108	14,453	55,896	7,137
Trade receivables	16,202	79,220	8,300	39,119
Other receivables	1,366	62	700	31
Tax recoverable	1,624	-	832	-
Prepayment for land use right	142,479	99,429	72,992	49,098
Cash and bank balance	68,000	252,642	34,836	124,752
	338,779	445,806	173,556	220,137
TOTAL ASSETS	911,139	949,008	466,774	468,618
Capital and Reserves				
Share capital	146,161	146,161	74,878	72,174
Reserves	87,832	87,832	44,996	43,371
Retained earnings	600,892	597,853	307,835	295,220
Minority Interest	(3,442)	-	(1,763)	-
Total Equity	831,443	831,846	425,946	410,765
Non-Current Liabilities				
Loan from shareholders	13,995	15,826	7,169	7,815
Current Liabilities				
Trade payables	7,471	39,280	3,827	19,396
Other payables	33,050	35,517	16,933	17,538
Income tax liabilities	-	2,605	-	1,286
Amount due to a shareholder	2,876	3,044	1,473	1,503
Amount due to director	22,304	20,890	11,426	10,315
	65,701	101,336	33,659	50,038
Total Liabilities	79,696	117,162	40,828	57,853
TOTAL EQUITY AND LIABILITIES	911,139	949,008	466,774	468,618
Net asset per share attributable to equity holders of the Company (RMB / RM) ⁽ⁱ⁾	1.78	1.78	0.91	0.88

The unaudited Condensed Consolidated Statements of Financial Positions should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2012 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 2013 and 31 December 2012 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: RM0.5123 at 30 June 2013 and RMB1: RM0.4938 at 31 December 2012 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.
- (3) The opening balance brought forward from last financial year ended 31 December 2012 has been reported by our auditor with a "disclaimer opinion". The Company has appointed Special Auditor to audit financial statement for year ended 31 December 2012 particularly on the areas that has been qualified with such "disclaimer opinion" by our auditor. The consolidated results for the first quarter ended 30 June 2013 may be subjected to the adjustment as a result of the Special Auditor's finding.



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2013

Unaudited Condensed Consolidated Statements Of Changes In Equity

6 months ended 30 June 2013	Share capital	Statutory Reserves	Fair value adjustments reserves	Retained earnings	Non-controlling interest	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	146,161	79,595	8,237	597,853	-	831,846
Dividend payout	-	-	-	-	-	-
Acquisition of subsidiary	-	-	-	-	200	200
Total comprehensive income for the period	-	-	-	3,039	(3,642)	(603)
At 30 June 2013	<u>146,161</u>	<u>79,595</u>	<u>8,237</u>	<u>600,892</u>	<u>(3,442)</u>	<u>831,443</u>

6 months ended 30 June 2013	Share capital	Statutory reserves	Fair value adjustments reserves	Retained earnings	Minority Interest	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2013	74,878	40,776	4,220	306,278	-	426,152
Dividend payout	-	-	-	-	-	-
Acquisition of subsidiary	-	-	-	-	102	102
Total comprehensive income for the period	-	-	-	1,455	-	(308)
At 30 June 2013	<u>74,878</u>	<u>40,776</u>	<u>4,220</u>	<u>307,733</u>	<u>(1,661)</u>	<u>425,946</u>

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: RM0.51230 at 30 June 2013 with comparatives is 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 2013

Unaudited Condensed Consolidated Statements Of Changes In Equity (continue)

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
Transfer to reserves	-	-	-	-	-
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
Transfer to reserves	-	-	-	-	-
At 30 June 2012	<u>74,104</u>	<u>38,578</u>	<u>4,176</u>	<u>340,653</u>	<u>457,511</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 2012 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 with comparatives is 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 2013

Unaudited Condensed Consolidated Statements Of Cash Flow

	As at 30 June 2013	As at 30 June 2012	As at 30 June 2013	As at 30 June 2012
	RMB'000	RMB'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before income tax	9,959	86,087	5,103	43,646
Adjustments for:				
Depreciation	2,264	2,010	1,160	1,019
Amortisation	1,500	1,359	768	689
Fair value adjustment	2,994	-	1,534	-
Interest expense	6	836	-	424
Interest income	(254)	(1,000)	(130)	(507)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	16,469	89,292	35,672	45,271
In inventories	(94,655)	6,795	(48,492)	3,445
In trade and other receivables	61,714	77,439	31,616	39,262
In trade and other payables	(35,136)	(69,020)	(18,064)	(34,993)
Cash from operations	(51,608)	104,506	732	52,985
Income tax paid	(16,415)	(33,992)	(7,577)	(17,234)
Interest received	254	1,000	130	507
Net cash generated from operating activities	(67,769)	71,514	(6,715)	36,258
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of property, plant and equipment	(51,614)	(4,074)	(53,679)	(2,066)
Purchase of intangible assets	-	(116,094)	-	(58,860)
Purchase of biological asset	(22,803)	(7,172)	(11,682)	(3,636)
Payment of construction in progress	-	(36,313)	-	(18,411)
Advance payment for land use right	(43,050)	-	(22,823)	-
Net cash used in investing activities	(117,467)	(163,653)	(88,184)	(82,973)
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest Expense	(6)	(836)	-	(424)
Acquisition of subsidiary	600	-	307	-
Repayment of short term loan	-	(10,000)	-	(5,070)
Net cash (used in)/generated from financing activities	594	(10,836)	307	(5,494)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	(184,642)	(102,975)	(94,592)	(52,209)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	252,642	534,171	129,428	270,825
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	68,000	431,196	34,836	218,616

The unaudited Condensed Consolidated Statements Of Cash Flow should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2012 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: RM0.4976 at 30 June 2013 and RMB1: RM0.4859 at 30 June 2012 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.
- (2) The opening balance brought forward from last financial year ended 31 December 2012 has been reported by our auditor with a "disclaimer opinion". The Company has appointed Special Auditor to audit financial statement for year ended 31 December 2012 particularly on the areas that has been qualified with such "disclaimer opinion" by our auditor. The consolidated results for the first quarter ended 30 June 2013 may be subjected to the adjustment as a result of the Special Auditor's finding. 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 2013

A. SELECTED EXPLANATORY NOTES TO THE UNAUDITED FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 JUNE 2013

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 2012 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 2013.

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

Auditor had issued a disclaimer of opinion on the Group's audited consolidated financial statements for the financial year ended 31 December 2012 on the scope of cash & bank balances, trade receivables & payables balance. Company had correspondingly being classified under PN17 category, and pending the result of special audit. The preparation of second quarter 2013 results was based on opening figure which pending the final clearance from BDO special audit.

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

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



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6. Changes in share capital and debts

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

7. Dividends

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

8. Segment information

Financial Year Ended 30 June 2013					
	<u>Ready-to-serve Food</u> RMB'000	<u>Frozen Vegetables</u> RMB'000	<u>Duck Farming</u> RMB'000	<u>Others</u> RMB'000	<u>Total</u> RMB'000
Revenue	165,943	18,270	6,980	28,179	219,372
Segment results	26,638	5,429	(37,911)	27,966	22,122
Other gains					1,543
Unallocated costs					(14,150)
Finance expenses					444
Profit before income tax					9,959
Income tax expense					(10,562)
Profit for the period					(603)
Other segment information:					
Depreciation and amortization					3,764
Capital expenditures					117,084

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8. Segment information (continue)

Financial Period Ended 30 June 2013					
	<u>Ready-to- serve Food</u> RM'000	<u>Frozen Vegetables</u> RM'000	<u>Duck Farming</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
Revenue	85,012	9,360	3,576	14,436	112,384
Segment results	13,647	2,781	(19,421)	14,327	11,334
Other gains					790
Unallocated costs					(7,248)
Finance expenses					227
Profit before income tax					5,103
Income tax expense					(5,411)
Profit for the period					(308)
Other segment information:					
Depreciation and amortisation					1,928
Capital expenditures					59,982

Note:

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Financial Year Ended 30 June 2012					
	<u>Ready-to- serve Food</u> RMB'000	<u>Frozen Vegetables</u> RMB'000	<u>Duck Farming</u> RMB'000	<u>Others</u> RMB'000	<u>Total</u> 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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8. Segment information (continue)

<u>Financial Year Ended 30 June 2012</u>					
	<u>Ready-to- serve Food</u> RM'000	<u>Frozen Vegetables</u> RM'000	<u>Duck Farming</u> RM'000	<u>Others</u> RM'000	<u>Total</u> 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					32,238
Other segment information:					
Depreciation and amortisation					1,708
Capital expenditures					34,323

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 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.

9. Subsequent events

The Company had engaged BDO to conduct special audit which may affect the results of the current quarter and financial year-to-date subject to their findings.

10. Changes in the composition of the Group

The Company had incorporated three China subsidiaries under Rizhao Hengbao Foodstuffs with an amount of RMB1,800,000 representing 90% of paid up capital respectively for the following companies:

- a) On 25 February 2013 - Juxian Hengbao Farming Co. Ltd (Company No. 371122200011483-1)
- b) On 10 April 2013 - Juxian Houz Food Co. Ltd. (Company No. 371122200012038-1)
- c) On 27 April 2013 - Wan Hui Food Co. Ltd. (Company No. 371122200012394-1)

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

No additional non-current asset was acquired as at period end 30 June 2013.



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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 for waste water treatment plant	1,263	628
Construction of duck poultry and slaughter factory	2,750	1,368
Construction of Feedmill plant	4,020	2,000

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	227	116	454	233
Post employment benefits	1	0.513	2	1.025

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2013

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 RMB106.4 million or approximately 32.7% from RMB325.8 million in financial period ended 30 June 2012 ("FPE2012") to RMB219.4 million in financial period ended 30 June 2013 ("FPE2013"). The decrease was mainly due to the outbreak of H7N9 bird flu in China that causes fears in the consumer purchase of bird related products including our RTS Food duck meat products. The decrease also a result of depreciation of Japanese Yen that resulted reduction in the demand of our RTS Food and Frozen Vegetable from Japan. As our products are mainly exported to Japan, our revenue was adversely affected by the Yen depreciation.

Sales of our RTS Food and Frozen Vegetable products reduced by RMB112.3 million and RMB13.5 million respectively for the FPE2013 compared to FPE2012 as a result of explanation given the above. The decreased in both RTS Food and Frozen Vegetable products were offset by the increased in Other products of RMB12.3 million, mainly spring roll products and increase in Duck Farming products of RMB7.0 million which mainly comprises of duck eggs and duckling for the FPE2013 compared to FPE2012.

Gross profit ("GP") decreased by RMB72.1 million from RMB94.3 million in FPE2013 to RMB22.1 million in FPE2012. The decreased in GP was mainly attributable to the decreased in RTS Food segment by RMB52.7 million from RMB79.3 million in FPE2013 to RMB26.6 million in FPE2012 mainly attributable to the price discount to our Japanese customers. The decrease was also a result of gross loss reported by our Duck Farming segment at RMB37.9 million for FPE2013 attributable to the selling price lower than our farming costs as a result of bird flu. The decrease was partly offset by the increased in the Others, spring roll products segment. GP margin has decreased from 29% for FPE2012 to 10% for FPE2013.

General and administration expenses increased by RMB2.0 million in FPE2013 mainly due to increased in depreciation charges and staff salaries in line with increase in minimum wage requirement. The increase in other operating expenses by RMB4.0 million from RMB0.1 million in FPE2012 to RMB4.1 million in FPE2013 was mainly due to fair value adjustment on our biological assets valuation. Net profit before taxation was decreased by RMB76.1 million from RMB86.1 million in FPE2012 to RMB10.0 million in FPE2013.

Review of Balance Sheet

Property, plant and equipment increased by RMB102.5 million from RMB196.4 million to RMB298.9 million mainly due to the completion of building, transfer from the construction in progress to the building costs.

Inventories increased by RMB94.6 million from RMB14.5 million at 31 December 2012 to RMB109.1 million at 30 June 2013. The significant increase in inventories level was a result of significant drops in the demand of our RTS duck meat products as a result of bird flu and Yen depreciation. Trade receivables decreased by RMB63.0 million from RMB79.2 million at 31 December 2012 to RMB16.2 million at 30 June 2013 is attributable to the lower sales revenue achieved in the current quarter reporting. Trade payables decreased by RMB31.8 million as the purchases of materials for production has also reduced significantly in line with the slow-down in the production activities.

Prepayment for land use right increased by RMB43.1 million due to additional prepayment for the purchase of land for meat duck farms.



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2. Variation of results against immediate preceding quarter

	Current Quarter 30 June 2013		Preceding Quarter 30 June 2012	
	RMB'000	RM'000	RMB'000	RM'000
Revenue	59,017	30,234	111,825	56,695
Profit/(Loss) Before Taxation	(22,575)	(11,566)	18,527	9,392
Profit/(Loss) After Taxation	(24,124)	(12,360)	13,172	6,677

The significant decreased in revenue by RMB 52.8 million or 47.2% from RMB111.8 million in preceding quarter to RMB59.0 million in the current quarter. The significant decreased was mainly due to the outbreak of H7N9 in April 2013 that resulting demand for our RTS Food duck meat products adversely affected.

Profit Before Taxation has decreased from RMB18.5 million in the preceding quarter to the current quarter of Loss Before Taxation of RMB22.5 million due to the decrease revenue and GP margin this quarter, but the general and admin expenses, selling and distribution expenses are mostly fixed in nature and remains unchanged.

3. Prospects for FYE 2013

The H7N9 bird flu virus continues to report new cases in Southern region China resulting continual fears in the consumer purchase of bird products both in raw and in cooked food. The demand for our RTS food products related to duck meats has been adversely affected during the last 5 months. Our duck farming division products (including duck eggs and duckling) will continue to sell at below costs in line with the changes in market price.

The Chinese government has taken many steps attempting to control the spread of the disease and supporting the bird farming industry. Our management believes that these activities will have positive effects and expect the demand for our products will be recovering at the last quarter this year. In expecting the recovery, the management will continue to expand our meat duck farming and poultry processing, we expect our meat duck farm and poultry processing will commence production at the last quarter this year.

As inventory for our RTS food products has increased significantly, we had slow down our production activities and adopted a series of promoting activities to our customers particularly in Japan and distributors in China to clear our inventory level. With the lower productivity level, we believe revenue for third quarter will remains weak.

With the continuous bird flu that causes fears in the consumer purchase of our products and depreciation of Japanese Yen, we are not optimistic on the improvement of our Group's revenue and our performance for FYE2013 might be adversely affected.

4. Profit forecast

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



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5. Income tax expenses

	Individual Quarter		Cumulative Quarter	
	RMB'000	RM'000	RMB'000	RM'000
Income tax expenses	1,549	794	10,562	5,411

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. Under the China law, tax are assessed on quarterly basis, tax paid during the quarter submission will be assessed on annual assessment basis. Any over payment of tax due to subsequent quarter losses will be recovered or offset for future tax liabilities.

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 -6.9% & 106.2% as compared to the applicable tax rate of 25.0% due to the non-deductible expenses and operating losses during the last two months in the quarter.

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	Expected Utilisation Period After Our Listing
(i) Setting up of a duck farming and breeding facility	5,000	10,000	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	Fully utilized
(v) Working capital	4,304	4,304	Fully utilized
(vi) Estimated listing expenses	10,000	10,000	Fully utilized
Total	44,304	39,304	



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9. Group's borrowings and debt securities

The Group's borrowings and debt securities as of 30 June 2013 were as follows:

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

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.

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 2013 and 31 December 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	597,823	297,477	597,815	290,478
- Unrealised	550	274	38	18
Total Group Retained Earnings	598,373	297,751	597,853	290,496



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13. Earning per share

Basic Earning per Share

	Quarter Ended	Preceding Year	Quarter	Preceding Year	Year to Date	Year to Date	Year to Date	Year to Date
	30 June 2013	Corresponding	Ended	Corresponding	Ended	Ended	Ended	Ended
	30 June 2013	Quarter	30 June 2013	Quarter	30 June 2013	30 June 2012	30 June 2013	30 June 2012
	RMB'000	30 June 2012	RM'000	30 June 2012	RMB'000	RMB'000	RM'000	RM'000
Profit attributable to equity holders of the company	(24,124)	13,172	(12,360)	6,677	(603)	63,586	(308)	32,238
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)	(5.15)	2.81	(2.64)	1.43	(0.13)	13.59	(0.07)	6.89

By Order of the Board

SHEN HENGBAO
Chief Executive Officer