



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 THIRD QUARTER ENDED 30 SEPTEMBER 2013

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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
	<u>30-Sep-13</u>	<u>30-Sep-12</u>	<u>30-Sep-13</u>	<u>30-Sep-12</u>	<u>30-Sep-13</u>	<u>30-Sep-12</u>	<u>30-Sep-13</u>	<u>30-Sep-12</u>
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Revenue	57,436	118,465	26,408	57,906	276,808	444,249	138,792	313,004
Cost of sales	(68,382)	(136,739)	(32,138)	(66,838)	(265,632)	(368,237)	(133,188)	(189,712)
Gross profit / (loss)	(10,946)	(18,274)	(5,730)	(8,932)	11,176	76,012	5,604	123,292
Other operating income	-	331	(23)	162	1,993	1,356	999	650
Selling and distribution expenses	(1,951)	(1,229)	(967)	(601)	(2,942)	(2,449)	(1,475)	(705)
General and administrative expenses	(11,870)	(2,805)	(5,854)	(1,371)	(20,849)	(9,812)	(10,454)	(3,901)
Other operating expenses	(14,901)	(969)	(7,426)	(474)	(19,081)	(1,130)	(9,567)	(135)
Operating profits / (loss)	(39,668)	(22,946)	(20,000)	(11,216)	(29,703)	63,977	(14,893)	119,201
Finance costs	(108)	(447)	(53)	(218)	(114)	(1,283)	(57)	(262)
Profit / (loss) before taxation	(39,776)	(23,393)	(20,053)	(11,434)	(29,817)	62,694	(14,950)	118,939
Taxation	471	-	351	-	(10,091)	(22,501)	(5,060)	(29,140)
Profit / (loss) after taxation	(39,306)	(23,393)	(19,702)	(11,434)	(39,908)	40,193	(20,010)	89,799
Other comprehensive income for the period (net of tax)	-	-	-	-	-	-	-	-
Total comprehensive income / (loss) after tax	(39,306)	(23,393)	(19,702)	(11,434)	(39,908)	40,193	(20,010)	89,799



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 September 2013</u>	<u>30 September 2012</u>	<u>30 September 2013</u>	<u>30 September 2012</u>	<u>30 September 2013</u>	<u>30 September 2012</u>	<u>31 September 2013</u>	<u>30 September 2012</u>
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Profit / (loss) attributable to:-								
- Equity holders of HB	(36,520)	(23,393)	(18,305)	(11,434)	(33,331)	40,193	(16,712)	19,646
- Non-controlling interest	(2,786)	-	(1,397)	-	(6,577)	-	(3,298)	-
Total comprehensive income / (loss) attributable to:-								
- Equity holders of HB	(36,520)	(23,393)	(18,305)	(11,434)	(33,331)	40,193	(16,712)	19,646
- Non-controlling interest	(2,786)	-	(1,397)	-	(6,577)	-	(3,298)	-
Earning Per Share *								
- Basic (RMB cents/ sen)	(7.80)	(5.00)	(3.91)	(2.44)	(7.12)	8.59	(3.57)	4.20
- 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 September 2013 and 30 September 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: RM0.5014 at 30 September 2013 and RMB 1: RM0.4888 at 30 September 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 third quarter ended 30 September 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 THIRD QUARTER ENDED 30 SEPTEMBER 2013

Condensed Consolidated Statements of Financial Positions

	Unaudited As at 30-Sep-13	Audited As at 31-Dec-12	Unaudited As at 30-Sep-13	Audited As at 31-Dec-12
	RMB'000	RMB'000	RM'000	RM'000
<u>Non-Current Assets</u>				
Property, plant and equipment	300,468	196,419	156,063	96,992
Construction in progress	131,071	175,027	68,078	86,428
Biological assets	13,564	3,658	7,045	1,806
Intangible assets	126,758	128,098	65,838	63,255
	571,861	503,202	297,024	248,481
<u>Current Assets</u>				
Inventories	89,776	14,453	46,630	7,137
Trade receivables	21,068	79,220	10,943	39,119
Other receivables	11,018	62	5,723	31
Tax recoverable	3,675	-	1,909	-
Prepayment for land use right	159,429	99,429	82,807	49,098
Cash and bank balance	44,167	252,642	22,940	124,752
	329,133	445,806	170,952	220,137
Total ASSETS	900,994	949,008	467,976	468,618
<u>Capital and Reserves</u>				
Share capital	146,161	146,161	75,916	72,174
Reserves	87,832	87,832	45,620	43,371
Retained earnings	564,522	597,853	293,213	295,220
Minority Interest	(5,977)	-	(3,104)	-
Total Equity	792,538	831,846	411,645	410,765
<u>Non-Current Liabilities</u>				
Loan from shareholders	13,995	15,826	7,269	7,815
<u>Current Liabilities</u>				
Trade payables	9,425	39,280	4,895	19,396
Other payables	59,856	35,517	31,088	17,538
Income tax liabilities	-	2,605	-	1,286
Amount due to a shareholder	2,876	3,044	1,494	1,503
Amount due to director	22,304	20,890	11,585	10,315
	94,461	101,336	49,062	50,038
Total Liabilities	108,456	117,162	56,331	57,853
TOTAL EQUITY AND LIABILITIES	900,994	949,008	467,976	468,618
Net asset per share attributable to equity holders of the Company (RMB / RM) ⁽¹⁾	1.68	1.78	0.87	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 September 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: RM0.5194 at 30 September 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 third quarter ended 30 September 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 THIRD QUARTER ENDED 30 SEPTEMBER 2013

Unaudited Condensed Consolidated Statements Of Changes In Equity

9 months ended 30-Sep-13	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
Acquisition of subsidiary	-	-	-	-	600	600
Total comprehensive income for the period	-	-	-	(33,331)	(6,577)	(39,908)
At 30 September 2013	<u>146,161</u>	<u>79,595</u>	<u>8,237</u>	<u>564,522</u>	<u>(5,977)</u>	<u>792,538</u>

9 months ended 30-Sep-13	Share capital	Statutory Reserves	Fair value adjustments reserves	Retained earnings	Non- controlling interest	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2013	75,916	41,342	4,278	310,525	-	432,061
Acquisition of subsidiary	-	-	-	-	312	312
Total comprehensive income for the period	-	-	-	(16,712)	(3,298)	(20,010)
At 30 September 2013	<u>75,916</u>	<u>41,342</u>	<u>4,278</u>	<u>293,813</u>	<u>(2,986)</u>	<u>412,362</u>

Note:

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR
THE THIRD QUARTER ENDED 30 SEPTEMBER 2013

Unaudited Condensed Consolidated Statements Of Changes In Equity (continue)

9 months ended 30-Sep-12	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
Transfer to reserves	-	-	-	-	-
At 30 September 2012	<u>146,161</u>	<u>76,090</u>	<u>8,237</u>	<u>648,506</u>	<u>878,994</u>
	0.4888	0.4888	0.4888	0.4888	0.4888

9 months ended 30-Sep-12	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
Transfer to reserves	-	-	-	-	-
At 30 September 2012	<u>71,443</u>	<u>37,193</u>	<u>4,026</u>	<u>316,990</u>	<u>429,652</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:

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2013

Unaudited Condensed Consolidated Statements Of Cash Flow

	As at 30-Sep-13	As at 30-Sep-12	As at 30-Sep-13	As at 30-Sep-12
	RMB'000	RMB'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit / (Loss) before income tax	(29,817)	62,694	(14,950)	30,644
Adjustments for:				
Depreciation	3,439	3,199	1,724	1,564
Amortisation	1,340	2,038	672	996
Biological assets written off	14,901	-	7,471	-
Fair value adjustment	(585)	-	(293)	-
Interest expense	114	1,283	57	627
Interest income	(254)	(1,331)	(127)	(651)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	(10,862)	67,883	(5,446)	33,180
In inventories	(75,323)	5,889	(37,767)	2,879
In trade and other receivables	47,196	33,891	23,664	16,566
In trade and other payables	(5,516)	(43,945)	(2,766)	(21,480)
Cash from operations	(44,505)	63,718	(22,315)	31,145
Income tax paid	(16,371)	(37,346)	(8,208)	(18,255)
Interest received	254	1,331	127	651
Net cash generated from operating activities	(60,622)	27,703	(30,396)	13,541
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of PPE and payment for CIP	(63,532)	(4,170)	(31,855)	(2,038)
Purchase of intangible assets	-	(116,093)	-	(56,746)
Purchase of biological asset	(24,807)	(22,652)	(12,438)	(11,072)
Payment of construction in progress	-	(123,338)	-	(60,288)
Net cash used in investing activities	(88,339)	(266,253)	(44,293)	(130,144)
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest Expense	(114)	(1,283)	(57)	(627)
Acquisition of subsidiary	600	-	301	-
Repayment of short term loan	-	(10,000)	-	(4,888)
Net cash (used in)/generated from financing activities	486	(11,283)	244	(5,515)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	(148,475)	(249,833)	(74,445)	(122,118)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	252,642	534,171	126,675	261,102
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	104,167	284,338	52,230	138,984

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.

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- (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 third quarter ended 30 September 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 THIRD QUARTER ENDED 30 SEPTEMBER 2013

A. SELECTED EXPLANATORY NOTES TO THE UNAUDITED FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 September 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 Third 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 September 2013				Total RMB'000
	Ready-to-serve Food RMB'000	Frozen Vegetables RMB'000	Duck Farming RMB'000	Others RMB'000	
Revenue	205,074	23,169	8,403	40,162	276,808
Segment results	50,160	6,260	(50,813)	5,569	11,176
Other gains					1,993
Unallocated costs					(42,872)
Finance expenses					(114)
Loss before income tax					(29,817)
Income tax expense					(10,091)
Profit for the period					(39,908)
Other segment information:					
Depreciation and amortization					3,439
Capital expenditures					148,339

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2013

8. Segment information (continue)

<u>Financial Period Ended 30 September 2013</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	102,824	11,617	4,213	20,137	138,791
Segment results	25,150	3,139	(25,478)	2,792	5,603
Other gains					999
Unallocated costs					(21,495)
Finance expenses					(57)
Profit before income tax					(14,950)
Income tax expense					(5,060)
Profit for the period					(20,010)
Other segment information:					
Depreciation and amortisation					1,724
Capital expenditures					77,047

Note:

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<u>Financial Year Ended 30 September 2012</u>					
	<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	387,172	43,538	-	13,539	444,249
Segment results	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)
Profit for the period					40,193
Other segment information:					
Depreciation and amortisation					3,199
Capital expenditures					152,410



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8. Segment information (continue)

<u>Financial Year Ended 30 September 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	189,249	21,282	-	6,618	217,149
Segment results	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)
Profit for the period					<u>19,646</u>
Other segment information:					
Depreciation and amortisation					2,560
Capital expenditures					<u>74,498</u>

Note:

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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.

On 16 October 2013, the Board of Directors received the final report from BDO with the following observations significant findings highlighted by the auditors as follows:

- The auditor was able to reconcile the cash balance, trade receivables and trade payables contrary to Paul Wan & Co disclaimer of opinion.
- Besides the above items under investigation, BDO had also investigated the cost and revenue recognition, paying particular attention to the fixed assets ie property, plant and equipment ("PPE"). In this section, BDO proposed a total impairment of RMB 67.6 million.
- Consequently, the Company showed a loss of RMB30,1 million for FY2012 which the details of adjustment were as follows:

Profit after tax as per audited financial statements by PW	RMB000 28,936
Provision for impairment of PPE	(67,622)
Over provision for amortisation of land use rights	3,761
Adjustment for fair value of biological assets	197
Under provision of general and administrative expenses	(971)
Over provision of income tax	5,624
Loss after tax for the year after the adjustments	(30,075)

The provision for impairment of PPE was a result of differences in the market value and the book value recorded in our books for our property, plant and equipment.



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The above proposed adjustments will not be adjusted to the audited financial statement for FYE2012 but will be reflected as prior year adjustment in the financial statement for financial year ending 31 December 2013.

BDO also highlighted that they were unable to carry out the stock count for inventory balance as at 30 June 2013. The carrying amounts of the frozen food items at the old warehouse were approximately RMB 81 million representing 79% of the total inventories as at 30 June 2013. This was because the frozen food items were not properly arranged as well as the entrance to the old warehouse were not easily accessible; alternatively, BDO had checked the goods stock in notes, suppliers invoices, finished goods received notes, monthly production reports, goods stock out notes and sales invoices to determine reasonableness of inventories balance as at 31 December 2012 with no exception noted.

On 26 November 2013, at the request of the Bursa, the management again appoints BDO to conduct physical stock take for its subsidiary in China as at 30 November 2013. We shall report the finding in due course.

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:

- On 25 February 2013 - Juxian Hengbao Farming Co. Ltd (Company No. 371122200011483-1)
- On 10 April 2013 - Juxian Houz Food Co. Ltd. (Company No. 371122200012038-1)
- 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 September 2013.

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 meat duck farms	40,600	21,088
Installation of cold storage for poultry processing plant	12,600	6,544
Construction of Feedstock plant	4,020	2,088

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	296	153	750	390
Post employment benefits	-	-	-	-

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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 RMB167.4 million from RMB444.2 million or approximately 37.7% in financial period ended 30 September 2012 ("FPE2012" to RMB276.8 million in financial period ended 30 September 2013 ("FPE2013"). The decrease was mainly due to the lower sales achieved as a result of continuous bird flu in China and depreciation of Japanese Yen that resulted substantially dropped in the demand for our RTS Food and Frozen Vegetable from Japan market. Both the selling price of our products and quantity of goods supplied during the period has been adversely affected.

Sales of our RTS Food and Frozen Vegetable products reduced by RMB182.0 million and RMB20.3 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 RMB26.6 million, mainly spring roll products and increase in Duck Farming products of RMB8.4 million which mainly comprises of duck eggs and duckling for the FPE2013 compared to FPE2012.

Gross profit ("GP") decreased by RMB64.8 million from RMB76.0 million in FPE2012 to RMB11.1 million in FPE2013. GP margin has decreased from the overall of 17.1% achieved in FPE2012 to 4% achieved in FPE2013. The decreased in GP was mainly contributed by the gross loss reported by our Duck Farming division of approximately RMB50.8 million. Our Duck Farming Division commenced in its operations in the last quarter of FY2012. Our GP reported by RTS Food also decreased by RMB11.9 million from RMB62.1 million in FPE2012 to RMB50.2 million in FPE2013 mainly attributable to the lower selling price achieved to our Japanese customers.

Selling and distribution expenses has increased by approximately RMB0.5 million from RMB2.4 million in FPE2012 to RMB2.9 million in FPE2013. This was attributable to increase in salaries and wages to meet the minimum wage requirement imposed by the authority. General and administration expenses increased by RMB11.0 million in FPE2013 from RMB9.8 million in FPE2012 to RMB20.8 million in FPE2013. The increase was mainly due to increased in payment for property tax and staff salaries in line with increase in minimum wage requirements. The increase in other operating expenses by RMB17.9 million from RMB1.1 million in FPE2012 to RMB19.0 million in FPE2013 was mainly due mainly to the fair value adjustment of biological assets and loss on disposal of parent ducks.

As a result. Net Profit Before Taxation decreased by RMB92.5 million from Net Profit Before Tax of RMB62.7 million in FPE2012 to Net Loss Before Taxation of RMB29.8 million in FPE2013.

Review of Balance Sheet

Property, plant and equipment increased by RMB104.1 million from RMB196.4 million to RMB300.5million mainly due to the completion of building, transfer from the construction in progress to the building costs.

Inventories increased by RMB75.3 million from RMB14.5 million at 31 December 2012 to RMB89.8 million at 30 September 2013. The inventories consist of RMB79.0 million of RTS Foods products and RMB10.8 million of feedstock for our duckling. The significant increase in inventories level was a result of drops in the demand and in anticipating the recovery of sales demand before the new year festival. The management expects that the RTS Foods finished products inventories shall be back to its normal inventories level before the closing of financial year. Trade receivables decreased by RMB58.2 million from RMB79.2 million at 31 December 2012 to RMB21.0 million at 30 September 2013 is attributable to the lower sales revenue achieved in the current quarter reporting. Trade payables decreased by RMB29.9 million as the purchases of materials for production has also reduced significantly in line with the slow-down in the production activities.



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2. Variation of results against immediate preceding quarter

	Current Quarter 30 September 2013		Preceding Quarter 30 June 2013	
	RMB'000	RM'000	RMB'000	RM'000
	Revenue	57,436	26,408	59,017
Loss Before Taxation	(39,776)	(20,053)	(22,575)	(11,566)
Loss After Taxation	(39,306)	(19,702)	(24,124)	(12,360)

The significant decreased in revenue by RMB 1.6 million or 2.7% from RMB59.0 million in preceding quarter to RMB57.4 million in the current quarter. The decreased was a result of continuing H7N9 bird flu effect that resulting demand for our RTS Food duck meat products adversely affected and depreciation of Japanese Yen.

Loss Before Taxation has increased by RMB17.2 million from RMB22.6 million in the preceding quarter to the current quarter of Loss Before Taxation of RMB39.8 million due to the decrease in Revenue and fair value adjustment of biological assets and loss on disposal of parent ducks.

3. Prospects for FYE 2013

Despite the outbreak H7N9 bird flu has been controlled, the consumers remain skeptical over the bird products. The management observed the longer than normal bird flu infection period this time compared to the previous bird flu that has infected China in the past. We observed the recovery of our sales revenue in view of the bird flu conditions that has been controlled. As the year end festival is approaching, we expect that our sales revenue for RTS Food, Frozen Vegetable and Duck Farming products to be improved over the next Quarter.

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	471	351	(10,091)	(5,060)

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.



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The effective tax rate of our Group for the current quarter and financial year-to-date were approximately -1.2% & 33.8% 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	-	Fully utilized
(v) Working capital	4,304	4,304	Fully utilized
(vi) Estimated listing expenses	10,000	10,000	Fully utilized
Total	44,304	44,304	



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9. Group's borrowings and debt securities

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

	RMB'000	RM'000
Loans – unsecured*	15,750	8,069

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 September 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	564,031	292,958	597,815	295,201
- Unrealised	491	255	38	19
Total Group Retained Earnings	564,522	293,213	597,853	295,220



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13. Earning per share

Basic Earning per Share

	Quarter Ended	Preceding Year Corresponding Quarter	Quarter Ended	Preceding Year Corresponding Quarter	Year to Date Ended	Year to Date Ended	Year to Date Ended	Year to Date Ended
	30-Sep-13	30-Sep-12	30-Sep-13	30-Sep-12	30-Sep-13	30-Sep-12	30-Sep-13	30-Sep-12
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Profit attributable to equity holders of the company	(36,520)	(23,393)	(18,305)	(11,434)	(33,331)	40,193	(16,712)	19,646
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)	(7.80)	(5.00)	(3.91)	(2.44)	(7.12)	8.59	(3.57)	4.20

By Order of the Board

SHEN HENGBAO
Chief Executive Officer