



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 2013

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Revenue	103,759	151,010	55,956	74,569	380,567	595,807	205,236	294,227
Cost of sales	(111,717)	(107,498)	(60,248)	(53,083)	(377,349)	(510,252)	(203,500)	(251,978)
Gross Profit	(7,958)	43,512	(4,292)	21,486	3,218	85,555	1,736	42,250
Other operating income	7,288	786	3,930	388	873	1,616	471	798
Selling and distribution expenses	(1,575)	(1,063)	(849)	(525)	(4,517)	(4,097)	(2,436)	(2,023)
General and administrative expenses	(10,722)	(10,574)	(5,782)	(5,221)	(31,571)	(20,987)	(17,026)	(10,364)
Other operating expenses	(1,120)	(13,805)	(604)	(6,817)	(11,793)	(3,484)	(6,360)	(1,721)
Operating profits	(14,087)	18,856	(7,597)	9,311	(43,789)	58,603	(23,614)	28,940
Finance income	571		308		571		308	
Finance costs	(36)	(563)	(19)	(278)	(150)	(1,561)	(81)	(771)
(Loss)/Profit Before Taxation	(13,552)	18,293	(7,308)	9,033	(43,369)	57,042	(23,388)	28,169
Taxation	-	(5,605)	-	(2,768)	(10,091)	(28,106)	(5,442)	(13,880)
(Loss)/Profit After Taxation	(13,552)	12,688	(7,308)	6,265	(53,460)	28,936	(28,830)	14,289
Other comprehensive income for the year (net of tax)	-	-	-	-	-	-	-	-
Total comprehensive(loss)/income after tax	(13,552)	12,688	(7,308)	6,265	(53,460)	28,936	(28,830)	14,289



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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
	31Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
(Loss)/Profit attributable to:-								
- Equity holders of HB	(13,552)	12,688	(7,308)	6,265	(45,931)	28,936	(24,770)	14,289
-Non-controlling interest		-		-	(7,529)	-	(4,060)	-
Total comprehensive (loss)/income attributable to:-								
- Equity holders of HB	(13,552)	12,688	(7,308)	6,265	(45,931)	28,936	(24,770)	14,289
- Non-controlling interest					(7,529)		(4,060)	
Weighted average number of ordinary share in issue ("000)	468,000	468,000	468,000	468,000	468,000	468,000	468,000	468,000
(Loss)/Earning Per Share *								
- Basic (RMB cents/ sen)	(2.90)	2.71	(1.56)	1.34	(9.81)	6.18	(5.29)	3.05
- 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:

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 : RM0.53929 at 31 December 2013 and RMB1: RM0.49383 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.



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013

Condensed Consolidated Statements of Financial Positions

	Unaudited As at 31 Dec 2013 RMB'000	Audited As at 31 Dec 2012 RMB'000	Unaudited As at 31 Dec 2013 RM'000	Audited As at 31 Dec 2012 RM'000
Non-Current Assets				
Property, plant and equipment	326,794	196,419	176,236	96,998
Construction in progress	66,456	175,027	34,374	86,434
Biological assets	17,903	3,658	9,655	1,806
Intangible assets	126,758	128,098	69,825	63,259
	537,911	503,202	290,090	248,496
Current Assets				
Inventories	14,921	14,453	8,047	7,137
Trade receivables	28,687	79,220	15,471	39,121
Other receivables	1,627	62	877	31
Prepayment for land use right	159,429	99,429	85,979	49,101
Cash and bank balance	102,309	252,642	55,174	124,762
	306,974	445,806	165,548	220,152
TOTAL ASSETS	844,885	949,008	455,638	468,649
Capital and Reserves				
Share capital	146,161	146,161	78,823	72,179
Reserves	87,832	87,832	47,367	43,374
Retained earnings	551,922	597,853	297,646	295,238
Non-Controlling Interest	(6,929)	-	(3,737)	-
Total Equity	778,986	831,846	420,099	410,791
Non-Current Liabilities				
Amount due to shareholders (non-current)	14,460	15,826	7,798	7,815
	14,460	15,826	7,798	7,815
Current Liabilities				
Trade payables	10,993	39,280	5,928	19,398
Other payables	13,326	33,815	7,187	17,539
Short term borrowing	-	-	-	-
Income tax liabilities	2,032	2,605	1,096	1,286
Amount due to shareholders	2,997	3,044	1,616	1,503
Amount due to director	22,092	22,592	11,914	10,316
	51,439	101,336	27,741	50,043
Total Liabilities	65,899	117,162	35,539	57,858
TOTAL EQUITY AND LIABILITIES	844,885	949,008	455,638	468,649
Net asset per share attributable to equity holders of the Company (RMB / RM) ⁽¹⁾	1.66	1.78	0.90	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 31 December 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 : RM0.53929 at 31 December 2013 and RMB1 : RM0.49383 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.



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013

Unaudited Condensed Consolidated Statements Of Changes In Equity

12 months ended 31 Dec 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
Acquisition of subsidiary	-	-	-	-	600	600
Total comprehensive income for the year	-	-	-	(45,931)	(7,529)	(53,460)
At 31 December 2013	<u>146,161</u>	<u>79,595</u>	<u>8,237</u>	<u>552,072</u>	<u>6,929</u>	<u>778,986</u>

12 months ended 31 Dec 2013	Share capital	Statutory reserves	Fair value adjustments reserves	Retained earnings	Non- controlling interest	Total equity
	RM'000	RM'000	RM'000	RM'000	RMB'000	RMB'000
At 1 January 2013	78,823	42,925	4,442	322,416	-	448,606
Acquisition of subsidiary	-	-	-	-	323	323
Total comprehensive income for the year	-	-	-	(24,770)	(4,060)	(28,830)
At 31 December 2013	<u>78,823</u>	<u>42,925</u>	<u>4,442</u>	<u>297,646</u>	<u>3,737</u>	<u>420,099</u>

Note:

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013

Unaudited Condensed Consolidated Statements Of Changes In Equity (continue)

12 months ended 31 Dec 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 year	-	-	-	28,936	28,936
Transfer to reserves		3,505		(3,505)	
Dividend in respect of the financial ended: - 31 December 2011	-		-	(35,891)	(35,891)
At 31 December 2012	<u>146,161</u>	<u>79,595</u>	<u>8,237</u>	<u>597,853</u>	<u>831,846</u>

12 months ended 31 Dec 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	12,179	37,576	4,068	300,403	414,226
Total comprehensive income for the year	-	-	-	14,289	14,289
Transfer to reserves	-	1,731	-	(1,731)	-
Dividend in respect of the financial ended: - 31 December 2011	-	-	-	(17,724)	(17,724)
At 31 December 2012	<u>72,179</u>	<u>39,307</u>	<u>4,068</u>	<u>295,237</u>	<u>410,791</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 FOURTH QUARTER ENDED 31 DECEMBER 2013

Unaudited Condensed Consolidated Statements Of Cash Flow

	As at 31 Dec 2013 RMB'000	As at 31 Dec 2012 RMB'000	As at 31 Dec 2013 RM'000	As at 31 Dec 2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/profit before income tax	(43,369)	57,042	(23,388)	28,169
Adjustments for:				
Depreciation	27,658	5,720	14,916	2,825
Amortisation	1,340	2,717	722	1,342
Biological asset written off	26,070	145	14,059	72
Fair Value Adjustment of biological asset	(585)	2,307	(315)	1,139
Interest expense	150	1,561	81	771
Interest income	(571)	(1,570)	(308)	(775)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	10,693	67,922	5,767	33,542
In inventories	(468)	2,508	(253)	1,239
In trade and other receivables	48,968	10,516	26,408	5,193
In trade and other payables	(48,776)	8,247	(26,305)	4,073
In amount due to shareholders	-	1,821	-	899
Cash from operations	(277)	91,014	5,617	44,945
Income tax paid	(10,664)	(42,346)	(5,751)	(20,912)
Interest received	571	1,570	308	775
Net cash generated from operating activities	323	50,238	174	24,809
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of PPE and payment for CIP	(49,462)	(189,277)	(26,674)	(93,471)
Advance payment for land use right	(60,000)	(98,679)	(32,358)	(48,731)
Increase in biological asset	(39,730)	(6,110)	(21,426)	(3,017)
Net cash used in investing activities	(149,192)	(294,066)	(80,458)	(145,219)
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest Expense	(150)	-	(81)	-
Repayment (to)/from directors	(500)	20,890	(270)	10,316
Repayment (to) shareholders loan	(1,413)	(12,700)	(762)	(6,272)
Repayment of short term loan	-	(10,000)	-	(4,938)
Acquisition of subsidiaries	600	-	324	-
Payment of dividend	-	(35,891)	-	(17,724)
Net cash used in financing activities	(1,463)	(37,701)	(789)	(18,618)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(150,332)	(281,529)	(81,073)	(139,028)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	252,642	534,171	136,248	263,790
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL ENDED	102,310	252,642	55,175	124,762

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:

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013

A. SELECTED EXPLANATORY NOTES TO THE UNAUDITED FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 31 December 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 year.

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 year 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 confirm 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. The Group was classified under PN17 category by the listing authority and was task to conduct a special audit for the items that specify in the disclaimer opinion. The result of the special audit is disclosed in Note 9 and can be referred to the announcements posted on 21 October 2013 and 24 February 2014 respectively. The preparation of the Fourth quarter 2013 results was based on opening figure before adjusting for the result of the special audit. The proposed adjustments of the special audit will be evaluated by the external auditor and if deemed necessary, will be adjusted accordingly in the period affected.

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 other than the Bird Flu which has a significant impact to our Duck Farming segment.



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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.

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 was declared or paid by the Group in the current quarter under review.

8. Segment information

Financial Year Ended 31 December 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	280,618	37,831	11,789	50,328	380,566
Segment results	58,240	6,515	(67,583)	6,046	3,218
Other gains					1,444
Unallocated costs					(47,881)
Finance expenses					(150)
Loss before income tax					(43,369)
Income tax expense					(10,091)
Loss for the year ended					(53,460)
Other segment information:					
Depreciation and amortisation					24,374
Capital expenditures					75,460

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8. Segment information (continue)

Financial Year Ended 31 December 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	151,334	20,402	6,358	27,141	205,235
Segment results	31,408	3,513	(36,447)	3,261	1,735
Other gains					779
Unallocated costs					(25,822)
Finance expenses					(81)
Loss before income tax					(23,388)
Income tax expense					(5,442)
Loss for the year ended					(28,830)
Other segment information:					
Depreciation and amortisation					13,145
Capital expenditures					40,695

Note:

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Financial Year Ended 31 December 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	521,386	53,333	8,724	12,364	595,807
Segment results	96,900	8,597	8,724	5,343	119,564
Other gains					-
Unallocated costs					(60,961)
Finance expenses					(1,561)
Profit before income tax					57,042
Income tax expense					(28,106)
Profit for the year					28,936
Other segment information:					
Depreciation and amortisation					8,437
Capital expenditures					251,504

8. Segment information (continue)



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<u>Financial Year Ended 31 December 2012</u>					
	<u>Ready-to-serve Food</u>	<u>Frozen Vegetables</u>	<u>Duck Farming</u>	<u>Others</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	257,476	26,337	4,308	6,106	294,227
Segment results	47,852	4,245	4,308	2,639	59,044
Other gains					-
Unallocated costs					(30,104)
Finance expenses					(771)
Profit before income tax					28,169
Income tax expense					(13,880)
Profit for the year ended					14,289
Other segment information:					
Depreciation and amortisation					4,166
Capital expenditures					124,200

Note:

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9. Special Audit Matters

The Company had engaged BDO to conduct special audit and the results of the special audit are not reflected in the results of current quarter and financial year-to-date.

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

- 1) The auditor was able to reconcile the cash balance, trade receivables and trade payables contrary to Paul Wan & Co ("PW") disclaimer of opinion.
- 2) Besides the above items under review, BDO had also reviewed the cost of sales and revenue recognition and property, plant and equipment ("PPE"). In this section, BDO proposed a total impairment of RMB 67.6 million.
- 3) Upon adjusting all the proposed adjustments by the special auditor, the Company showed a loss of RMB30.1 million for FY2012. The details of adjustment were as follows:

	RMB000
Profit after tax as per audited financial statements by PW	28,936
Provision for impairment of PPE	(67,622)
Over provision for amortisation of land use rights	3,761
Upward 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.

The above proposed adjustments will be evaluated by the external auditor and if deemed necessary, will be reflected in the proper period accordingly.

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



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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 entrances 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 Bursa, the management again appointed BDO to conduct physical stock take for its subsidiary in China as at 30 November 2013. BDO highlighted that upon performing audit procedures on physical stock count at 30 November 2013 and roll back procedures for inventory balance to 31 December 2012, BDO was able to reconcile the Inventory balance as at 30 November 2013 with the inventory balance as at 31 December 2012. BDO also reported that there were weaknesses in internal control system on certain documentations of the inventory record.

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

The Group acquired additional non-current assets of total RMB89.2 million, consist of property, plant and equipment, construction in progress facilities and biological assets.

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	75,000	40,447
Installation of cold storage for poultry processing plant	18,000	9,707
Construction of Feedstock plant	50,000	26,965
Duck processing and production plant	7,000	3,775
Power station, compressor and cabling	15,000	8,089
Duck meat processing facilities	6,000	3,236

The management is considering the available funding options to meet the above capital commitments.

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	1,755	947	2,505	1,351
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

Our revenue decreased by RMB215.2 million or approximately 36.1% from RMB595.8 million in financial year ended 31 December 2012 (“FYE2012”) to RMB380.6 million in financial year ended 31 December 2013 (“FYE2013”). The decrease was mainly due to the low demand of our products as a result of the bird flu situation in China which has yet to be contained to date. The depreciation of Japanese Yen also affected the demand of our Ready to Serve (“RTS”) Food and Frozen Vegetable products from Japan, which is our key market. Our products’ selling prices and quantity of goods supplied during the year had been adversely affected by the abovementioned matters.

Sales of our RTS Food and Frozen Vegetable products reduced by RMB240.8 million and RMB15.5 million respectively for the FYE2013 as compared to FYE2012. The explanation for the decrease has been given above. Other products increased by RMB37.9 million mainly due to the increased demand for spring roll products which were not affected by the bird flu effect. Duck Farming products increased by RMB3.1 million which comprises duck eggs and ducklings for FYE2013 as compared to FYE2012.

Gross profit (“GP”) decreased by RMB82.4 million from RMB85.6 million in FYE2012 to RMB3.2 million in FYE2013. The decreased in GP was mainly due to the gross loss reported by our Duck Farming segment of approximately RMB63.4 million which commenced its operations in the last quarter of FYE2012. Our GP reported by RTS Food also decreased by RMB38.7 million from RMB96.9 million in FYE2012 to RMB58.2 million in FYE2013 mainly attributable to the low demand of our products cause by the depreciation of Japanese Yen and bird flu effect .

Selling and distribution expenses had increased by approximately RMB0.4 million from RMB4.1 million in FYE2012 to RMB4.5 million in FYE2013. This was attributable to increase in salaries and wages to meet the minimum wage requirement as imposed by the local authority and the general inflation. General and administration expenses increased by RMB10.6 million in FYE2013 from RMB21.0 million in FYE2012 to RMB31.6 million in FYE2013. The increase was mainly due to increased in payment for staff salaries of RMB3.4 million, additional intangible assets amortisation and depreciation of about RMB0.8 million, higher water and electricity charges of about RMB1.2 million, higher Tokyo representative office expenses of RMB1.9 million and about RMB2.0 million audit fees paid for the special audit. The increase in payment for staff salaries was to in line with the increase in minimum wage requirements and the compensation for non-working days of worker during the year. The other operating expenses increased by RMB8.3 million in FYE2013 from RMB3.5 million in FYE2012 to RM11.8 million in FYE2013 was mainly due to the disposal of unproductive parent ducks that had reached their useful lives.

As a result. Net Profit Before Tax decreased by RMB100.4 million from Net Profit Before Tax of RMB57.0 million in FYE2012 to Net Loss Before Tax of RMB43.4 million in FYE2013.

Review of Balance Sheet

Property, plant and equipment increased by RMB130.4 million from RMB196.4 million to RMB326.8million mainly due to the completion of building, which was transferred from construction in progress to the building costs and the additional production facilities. Biological assets increased by RMB14.2 million from RMB3.7 million in FYE2012 to RMB17.9 million in FYE2013 was mainly due to the increased in size of investment in parent ducks. Inventories increased by RMB0.5 million from RMB14.5 million at 31 December 2012 to RMB15.0 million at 31 December 2013. With the long Chinese New Year festival holiday and the bird flu effect, management expected that there will be low demand of our products and led to a minimum inventories level at the year end. Trade receivables decreased by RMB50.5 million from RMB79.2 million at 31 December 2012 to RMB28.7 million at 31 December 2013 mainly due to the lower sales of RTS products achieved in the current reporting quarter. Trade payables decreased by RMB28.3 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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Review of Cashflow Statement

Net cash generated from operating activities decreased by RMB49.9 million from RMB50.2 million for FYE2012 compared to net cash generated in operation activities of RMB0.3 million in FYE2013. The reduction was mainly due to lower net profit generated of RTS products and the gross losses incurred in the duck farming division in the current financial year.

Net cash used in investing activities decreased by RMB144.9 million from RMB294.1 million in FYE2012 to RMB149.2 million in FYE2013. This was mainly due to the bird flu in China which had adversely affected the investment environment of our group.

2. Variation of results against immediate preceding quarter

	Current Quarter 31 Dec 2013		Preceding Quarter 30 Sept 2013	
	RMB'000	RM'000	RMB'000	RM'000
Revenue	103,759	55,956	57,436	26,408
(Loss) Before Taxation	(13,552)	(7,308)	(39,776)	(20,053)
(Loss) After Taxation	(13,552)	(7,308)	(39,306)	(19,702)

The Group recorded a higher revenue in current quarter by RMB 46.3 million or 80.7% from RMB57.4 million in preceding quarter to RMB103.7 million in the current quarter. The increase was mainly due to the coming year end festival that resulted in higher demand for our RTS and Frozen Vegetable products in the current quarter.

The other operating income of RMB7.3 million in the current quarter were mainly due to the reversal of the over provision of Biological Assets written off in the last quarter.

Loss Before Taxation has decreased by RMB26.2 million from RMB39.8 million in the preceding quarter to the current quarter of Loss Before Taxation of RMB13.6 million due to higher sales volume achieved in our RTS and Frozen Vegetable products in the current quarter as compared to last quarter.

3. Prospects for FYE 2014

As the H7N9 bird flu has not tapered off to-date, FYE2014 will remained as a challenging year ahead. We will continue our efforts to manage our costs and will be prepared to scale up our operations once the bird flu condition is under control and has tapered off.

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	0	0	(10,091)	(5,442)

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 financial year-to-date were negative (-23.3%) as compared to the applicable tax rate of 25.0% due to the net losses of the group during the financial year.

6. Sales of unquoted investment / properties

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

7. Purchase or disposal of quoted securities

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

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8. Status of utilization of proceeds

The status of the gross proceeds of RM44,304,000 from the Public Issue are as follows:-

	Proposed Utilization Amount RM'000	Actual Utilization Amount RM'000	Deviation Amount RM'000	Expected Utilisation Year After Our Listing
(i) Setting up of a modern poultry 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		

9. Group's borrowings and debt securities

The Group's borrowings and debt securities as of 31 Dec 2013 were as follows:

	RMB'000	RM'000
Loans – unsecured*	14,460	7,798

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.



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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 2013 are analysed as below:

	Current Financial Year		Preceding Financial Year	
	RMB'000	RM'000	RMB'000	RM'000
Total Retained Earnings of the Company and its subsidiary:				
- Realised	551,625	297,486	597,815	295,219
- Unrealised	297	160	38	19
Total Group Retained Earnings	551,922	297,646	597,853	295,238

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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 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
(Loss)/Profit attributable to -equity holders of the company -Non-controlling interest	(13,552)	12,688	(7,308)	6,265	(45,931) (7,529)	28,936	(24,770) (4,060)	14,289
Weighted average number of ordinary share in issue ("000)	468,000	468,000	468,000	468,000	468,000	468,000	468,000	468,000
(Loss)/Earning Per Share - Basic (RMB cents/ sen)	(2.90)	2.71	(1.56)	1.34	(9.81)	6.18	(5.29)	3.05

By Order of the Board

SHEN HENGBAO
Chief Executive Officer