



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 2014

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2014

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 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Revenue	83,659	59,017	43,628	30,234	148,325	219,372	77,352	112,384
Cost of sales	(92,040)	(76,740)	(47,999)	(39,314)	(155,517)	(197,250)	(81,102)	(101,050)
Gross Profit	(8,381)	(17,723)	(4,371)	(9,080)	(7,192)	22,122	(3,750)	11,334
Other operating income	69	1,181	36	606	2,655	1,993	1,385	1,022
Selling and distribution expenses	(292)	(476)	(152)	(244)	(717)	(991)	(374)	(508)
General and administrative expenses	(6,906)	(4,365)	(3,601)	(2,236)	(12,095)	(8,979)	(6,308)	(4,600)
Other operating expenses	(108)	(1,186)	(56)	(608)	(383)	(4,180)	(200)	(2,141)
Operating profits	(15,618)	(22,569)	(8,145)	(11,562)	(17,732)	9,965	(9,247)	5,107
Finance costs	-	(6)	-	(4)	-	(6)	-	(4)
Profit Before Taxation	(15,618)	(22,575)	(8,145)	(11,566)	(17,732)	9,959	(9,247)	5,103
Taxation	-	(1,549)	-	(794)	(531)	(10,562)	(277)	(5,411)
Profit After Taxation	(15,618)	(24,124)	(8,145)	(12,360)	(18,263)	(602)	(9,524)	(308)
Other comprehensive income for the period (net of tax)	-	-	-	-	-	-	-	-
Total comprehensive income after tax	(15,618)	(24,124)	(8,145)	(12,360)	(18,263)	(602)	(9,524)	(308)



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2014

Unaudited Condensed Consolidated Statement Of Comprehensive Income (continue)

	Quarter Ended	Preceding Year Corresponding Quarter	Quarter Ended	Preceding Year Corresponding Quarter	Year to Date Ended	Year to Date Ended	Year to Date Ended	Year to Date Ended
	30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
(Loss)/Profit attributable to:-								
- Equity holders of HB	(15,618)	(24,124)	(8,145)	(12,360)	(18,263)	(603)	(9,524)	(308)
-Non-controlling interest								
Total comprehensive income attributable to:-								
- Equity holders of HB	(15,618)	(24,124)	(8,145)	(12,360)	(18,263)	(603)	(9,524)	(308)
-Non-controlling interest								
Earning Per Share *								
- Basic (RMB cents/ sen)	(3.34)	(5.15)	(1.74)	(2.64)	(3.90)	(0.13)	(2.04)	(0.07)
- Diluted (RMB cents/ sen)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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: RM0.5215 at 30 June 2014 and : RM0.51230 at 30 June 2013 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 SECOND QUARTER ENDED 30 JUNE 2014

Condensed Consolidated Statements of Financial Positions

	Unaudited As at 31 June 2014	Audited As at 31 Dec 2013	Unaudited As at 31 June 2014	Audited As at 31 Dec 2013
	RMB'000	RMB'000	RM'000	RM'000
Non-Current Assets				
Property, plant and equipment	268,956	208,429	140,261	112,404
Construction in progress	141,449	180,643	73,766	97,419
Biological assets	3,272	2,424	1,706	1,307
Intangible assets	111,152	113,831	57,966	61,388
	524,829	505,327	273,698	272,518
Current Assets				
Inventories	17,702	13,853	9,232	7,471
Trade receivables	17,781	25,597	16,170	13,803
Other receivables	3,897	3	2,032	2
Prepayment for land use right	159,429	165,897	83,142	89,467
Cash and bank balance	64,997	102,317	33,896	55,179
	277,031	307,667	144,472	165,922
TOTAL ASSETS	801,860	812,994	418,170	438,440
Capital and Reserves				
Share capital	146,161	146,161	76,223	78,823
Reserve	84,327	84,327	43,977	45,477
Non-controlling interest	(9,696)	(8,067)	(5,056)	(4,350)
Accumulated profits/(losses)	485,671	502,305	253,277	270,888
Total Equity	706,463	724,726	368,420	390,837
Non-Current Liabilities				
Loan from shareholders	16,612	16,612	8,663	8,959
Current Liabilities				
Trade payables	27,960	22,144	14,581	11,942
Other payable	25,036	22,826	13,056	12,310
Income tax liabilities	-	897	-	484
Amount due to a shareholder	2,997	2,997	1,563	1,616
Amount due to director	22,792	22,792	11,886	12,291
	78,785	71,656	41,087	38,643
Total Liabilities	95,397	88,268	49,750	47,602
TOTAL EQUITY AND LIABILITIES	801,860	812,994	418,170	438,440
Net asset per share attributable to equity holders of the Company (RMB / RM) ⁽ⁱ⁾	1.51	1.55	0.79	0.84

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 2014 and 31 December 2013 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:RM0.5215 at 30 June 2014 and 1:RM0.5393 at 31 December 2013 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 SECOND QUARTER ENDED 30 JUNE 2014

Unaudited Condensed Consolidated Statements Of Changes In Equity

3 months ended 30 June 2014	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 2014						
Total comprehensive income for the period	140,161	76,090	8,237	502,305	(8,067)	724,725
Transfer to minority interest	-	-	-	(16,634)	(1,629)	(18,263)
At 30 June 2014	<u>140,161</u>	<u>76,090</u>	<u>8,237</u>	<u>485,671</u>	<u>(9,696)</u>	<u>706,463</u>

3 months ended 30 June 2014	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 2014						
Total comprehensive income for the period	76,223	39,681	4,296	261,952	(4,207)	382,151
Transfer to minority interest	-	-	-	(849)	(849)	(9,524)
At 30 June 2014	<u>76,223</u>	<u>39,681</u>	<u>4,296</u>	<u>253,278</u>	<u>(5,056)</u>	<u>368,420</u>

Note:

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THE SECOND QUARTER ENDED 30 JUNE 2014

Unaudited Condensed Consolidated Statements Of Changes In Equity (continue)

3 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
Total comprehensive income for the period						
Acquisition of subsidiary					200	200
Transfer to reserves				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>

3 months ended 30 June 2013	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	74,878	40,776	4,220	306,278	-	426,152
Total comprehensive income for the period						
Acquisition of subsidiary					102	102
Transfer to reserves				1,550	(1,857)	(308)
At 30 June 2013	<u>74,878</u>	<u>40,776</u>	<u>4,220</u>	<u>307,828</u>	<u>(1,755)</u>	<u>425,946</u>

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2014

Unaudited Condensed Consolidated Statements Of Cash Flow

	As at 30 June 2014	As at 31 December 2013	As at 30 June 2014	As at 31 December 2013
	RMB'000	RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/Profit before income tax	(17,731)	(42,450)	(9,247)	(22,893)
Adjustments for:				
Depreciation	6,409	16,245	3,342	8,761
Amortisation	2,679	3,892	1,397	2,099
Impairment loss on property, plant and equipment, construction in progress and intangible assets	3,042	23,765	1,587	12,816
Impairment loss on property, plant and equipment, construction in progress and intangible assets written back	-	(18,164)	-	(9,796)
Sales/death of biological assets	-	3,658	-	1,973
Loss on fair value of biological assets	-	5,533	-	2,984
Interest income	(155)	(562)	(81)	(303)
Interest expense	-	936	-	505
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	(5,756)	(7,147)	(3,002)	(3,854)
In inventories	(3,849)	519	(2,007)	280
In trade and other receivables	(2,835)	46,265	(1,479)	24,950
In trade and other payables	8,026	(22,158)	4,186	(11,950)
Cash from operations	1,342	17,479	700	9,426
Income tax paid	(1,428)	(10,037)	(745)	(5,413)
Interest received	155	562	81	303
Net cash generated from operating activities	(5,687)	8,004	(2,966)	4,316
CASH FLOWS FROM INVESTING ACTIVITIES				
Advance payment for land use rights	-	(60,000)	-	(32,357)
Addition of property, plant and equipment	(27,742)	(54,804)	(34,907)	(29,555)
Increase in biological assets	(3,891)	(7,957)	(2,029)	(4,291)
Proceed from disposal of property, plant and equipment	-	5	-	3
Payment of construction in progress	-	(38,029)	20,440	(20,509)
Net cash used in investing activities	(31,633)	(160,785)	(16,496)	(86,710)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings from a shareholder	-	(46)	-	(25)
Advance from director	-	1,902	-	1,026
Cash inflow from non-controlling interests	-	600	-	324
Net cash generated from financing activities	-	2,456	-	1,324
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(37,320)	(150,325)	(19,462)	(81,069)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	102,317	252,642	53,358	136,247
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	64,997	102,317	33,896	55,179

Note:

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2014

A. SELECTED EXPLANATORY NOTES TO THE UNAUDITED FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 June 2014

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 2013 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 2014.

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

The Group’s audited consolidated financial statements for the financial year ended 31 December 2013 were not subject to any audit qualification.

The predecessor auditor had issued a disclaimer 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 balances. The Group was classified under PN17 category by the listing authority (Bursa) and was tasked to conduct a special audit for the items that were specified 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 which revealed no adverse findings contrary to the disclaimer opinion by the predecessor auditor. The proposed adjustments of the special audit has been evaluated by the current auditor and adjusted accordingly in the period affected.



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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 and the holiday effect on the operation for Chinese New Year festival.

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 treasury shares for the current financial year to date.

7. Dividends

In view of the current business climate, no dividend was declared or paid by the Group in the current quarter under review.

8. Segment information

Financial Year Ended 30 June 2014					
	<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	103,781	18,066	15,176	11,302	148,325
Segment results	7,103	441	(16,208)	1,473	(7,191)
Other income					2,655
Unallocated costs					(13,195)
Finance expenses					-
(Loss) before income tax					(17,731)
Income tax expense					(531)
(Loss) for the period					(18,263)
Other segment information:					
Depreciation and amortisation					9,088
Capital expenditures					70,828

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8. Segment information (continue)

Financial Period Ended 30 June 2014					
	<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	54,122	9,422	7,914	5,894	77,352
Segment results	3,704	230	(8,452)	768	(3,750)
Other income					1,385
Unallocated costs					(6,881)
Finance expenses					-
Loss before income tax					(9,247)
Income tax expense					(277)
Loss for the period					9,524
Other segment information:					
Depreciation and amortisation					4,739
Capital expenditures					36,937

Note:

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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 income					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 amortisation					3,764
Capital expenditures					117,084



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8. Segment information (continue)

Financial Year 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 income					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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9. Subsequent events

There were no material events as at the date of this announcement that will affect the results of the current quarter and financial year-to-date.

10. Changes in the composition of the Group

The Company had 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

The Group acquired additional non-current assets of total RMB31.6 million, consist of property, plant and equipment, construction in progress facilities and biological assets.



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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 of meat duck farms	75,000	40,447
Construction of Feedstock plant	50,000	26,965
Power station, compressor and cabling	15,000	8,089

The management has identified various sources of funds available 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	1,245	649	3,000	1,565
Post employment benefits	-	-	-	-

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2014

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 RMB71.1 million or approximately 32.4% from RMB219.4 million in financial period ended 30 June 2013 (“FPE2013”) to RMB148.3 million in financial period ended 30 June 2014 (“FPE2014”). The decreased was mainly due to decrease in sales of ready-to-serve (“RTS”) products and frozen vegetables. The decrease in sales of RTS products was mainly attributable to the continuous bird flu in China since outbreak which resulted substantial drop in the demand for our RTS Food. The depreciation of Japanese Yen against RMB since year 2012 also reduced the demand of our RTS Food directly and indirectly from Japan market. The decreased was partially offset by the contribution of revenue from our duck farming business including the sales of duck eggs and ducklings of approximately RMB15.2 million.

Gross Profit (“GP”) margin decreased from 10.1% for FPE2013 to Gross Loss margin of 4.9% for FPE2014. This was mainly attributable to the gross loss for duck farming products as a result of absorbing substantial fixed costs including labour costs, feeding cost, depreciation and amortisation. Gross profit margin for RTS Foods reduced from 16.1% for FPE2013 to 6.8% for FPE2014 was mainly due to the lower demand from customers and high level of fixed costs absorbed and the newly commencement of the slaughter house which attract higher labour costs, depreciation and factory expenses for the RTS segment during FPE2014. Other operating income increased by RMB1.8 million from RMB0.9 million in FPE2013 to RMB2.7 million in FPE2014 which was mainly attributable to the government grants of RMB2.5 million.

Selling and distribution expenses increased marginally by RMB0.2 million in FPE2014 as a result of higher transport charges incurred for the period under review. General and administration expenses increased by RMB7.7 million in FPE2014 was mainly due to increase in depreciation charges and amortization of land use right of approximately RMB9.1 million in FPE2014 and partially due to the increase in staff salaries, land and properties taxes. Operating expenses decreased by RMB0.8 million from RMB1.2 million in FPE2013 to RMB0.4 million in FPE2014 was mainly due to the fair value adjustment on our biological assets to in line with the valuation method in FPE2013. Net Loss before taxation of RMB18.3 million in FPE2014 as compare to Net Loss before taxation of RMB24.1 million mainly due to the high fixed costs of processing plant and duck farming business to include the high depreciation and amortisation of fixed assets.

Review of Balance Sheet

The additions to property, plant and equipment for the current quarter is mainly on the completion of the slaughter house and its related facilities. The fair value adjustment of biological assets in FYE2013 and FPE2014 has reduced the carrying value of biological assets from RMB23.5 million to RMB3.3 million in FPE2014.

The low demand of our products and scale down of the investment in biological assets, inventories were kept at a minimum stock level, leading to a huge decreased of RM91.4 million. Trade receivables increased by RMB14.8 million from RMB16.2 million in FPE2013 to RMB31.0 million in FPE2014 due to improved demand of our products during the quarter under review. Trade payables increased from RMB7.5 in FPE2013 to RMB28.0 million in FPE2014 was mainly due to the higher revenue achieved in the current quarter from our customers, leading to increase purchases in the current quarter.

Review of Cash Flow Statement

Net cash used from operating activities decreased by RMB62.1 million from RMB67.8 million for FPE2013 to RMB5.7 million in FPE2014. The reduction was mainly due to the sharp decrease in revenue and the gross losses incurred in the duck farming division in the current quarter as compare to FPE2013.



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Net cash used in investing activities decreased by RMB85.9 million from RMB117.5 million in FPE2013 to RMB31.6 million in FPE2014. This was mainly due to the Group has slow down the investment activities in duck farming segment where the H7N9 bird flu conditions were still unclear during the period under review.

2. Variation of results against immediate preceding quarter

	Current Quarter 30 June 2014		Preceding Quarter 31 Mar 2014	
	RMB'000	RM'000	RMB'000	RM'000
Revenue	83,659	43,628	64,666	34,874
(Loss) Before Taxation	(15,618)	8,145	(2,113)	1,239
(Loss) After Taxation	(15,618)	8,145	(2,644)	958

The Group recorded revenue of RMB83.7 million in the current quarter, increased by approximately RMB19.0 million 29.4% from RMB64.7 million in the immediate preceding quarter due to the demand for our products from overseas market.

The Loss before taxation and after taxation increase is mainly due to the losses incurred by the duck farming segment. The duck farming segment were still affecting by the H7N9 bird flu where the duck eggs and duckling prices for the period under review still at a low level which are far more below the costs. Also the commencement of operation of the slaughter house in the current quarter is affecting the performance of the RTS segment as well.

3. Prospects for FYE 2014

Apart from the H7N9 bird flu which is beyond anyone's control, with the anticipation of completion of few more meat duck farms at the end of 2014 to meet the commercial meat duck demand, the usage of slaughter house is expected be optimized and should improve the Group performance in FY2015.

The management expects and believed that the Group will be in better position once the additional facilities are ready to support the Duck Farming segment as they will provide avenues for the Group to manage their costs in a more effective manner and also able to support the Ready-to-Serve Food segment and allow the Group to enter into the commercial meat duck market.

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	-	-	-	-

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.



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Singapore tax

No provision for Singapore income tax was made as the dividends receivable by the Company from its subsidiary, if any, will not be taxable under the applicable law.

The effective tax rate of our Group for the current quarter and financial year-to-date was approximately (2.9%) as compared to the applicable tax rate of 25.0% due to permanent difference in the tax treatment of expenses that are not deductible under China tax.

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 gross proceeds of RM44,304,00 from the Public Issue had been fully utilized. During the period under review there is no issue of new shares.

9. Group's borrowings and debt securities

The Group's borrowings and debt securities as of 31 Mar 2014 were as follows:

	RMB'000	RM'000
Loans – unsecured*	16,612	8,663

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.



恒宝环球

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12. Realised and Unrealised Profit/Losses Disclosure

The retained earnings as at 30 June 2014 and 31 March 2014 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	485,288	253,077	538,578	285,185
- Unrealised	383	200	275	146
Total Group Retained Earnings	485,671	253,277	538,853	285,331

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13. Earning per share

Basic Earning per Share

	Quarter Ended 30 Jun 2014	Preceding Year Corresponding Quarter 30 Jun 2013	Quarter Ended 30 Jun 2014	Preceding Year Corresponding Quarter 30 Jun 2013	Year to Date Ended 30 Jun 2014	Year to Date Ended 30 Jun 2013	Year to Date Ended 30 Jun 2014	Year to Date Ended 30 Jun 2013
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Loss attributable to - equity holders of the company	(15,618)	(24,124)	(8,145)	(12,360)	(18,263)	(603)	(9,524)	(308)
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)	(3.34)	(5.15)	(1.74)	(2.64)	(3.90)	(0.13)	(2.04)	(0.07)

By Order of the Board

SHEN HENGBAO
Chief Executive Officer