



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 FOURTH QUARTER ENDED 31 DECEMBER 2014

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2014

Unaudited Condensed Consolidated Statement Of Comprehensive Income

	Quarter Ended 31 December 2014	Preceding Year Corresponding Quarter 31 December 2013	Quarter Ended 31 December 2014	Preceding Year Corresponding Quarter 31 December 2013	Year to Date Ended 31 December 2014	Year to Date Ended 31 December 2013	Year to Date Ended 31 December 2014	Year to Date Ended 31 December 2013
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Revenue	44,332	103,759	25,298	55,957	271,698	377,871	155,044	203,786
Cost of sales	(69,404)	(111,717)	(39,605)	(60,249)	(308,963)	(349,973)	(176,308)	(188,740)
Gross Profit	(25,072)	(7,958)	(14,307)	(4,292)	(37,265)	27,898	(21,264)	15,046
Other operating income	38,050	7,859	21,713	4,238	40,732	20,581	23,243	11,099
Selling and distribution expenses	(433)	(1,575)	(247)	(849)	(1,960)	(2,858)	(1,118)	(1,541)
General and administrative expenses	(8,020)	(10,722)	(4,577)	(5,782)	(28,565)	(56,225)	(16,301)	(30,322)
Other operating expenses	(15,260)	(1,120)	(8,708)	(604)	(15,643)	(30,910)	(8,927)	(16,670)
Operating profits	(10,734)	(13,516)	(6,125)	(7,289)	(42,702)	(41,514)	(24,367)	(22,388)
Finance costs	(807)	(36)	(461)	(19)	(807)	(936)	(461)	(505)
Profit Before Taxation	(11,542)	(13,552)	(6,586)	(7,308)	(43,509)	(42,450)	(24,828)	(22,893)
Taxation	-	-	-	-	(531)	(8,988)	(303)	(4,847)
Profit After Taxation	(11,542)	(13,552)	(6,586)	(7,308)	(44,040)	(51,438)	(25,131)	(27,740)
Other comprehensive income for the period (net of tax)	-	-	-	-	-	-	-	-
Total comprehensive income after tax	(11,542)	(13,552)	(6,586)	(7,308)	(44,040)	(51,438)	(25,131)	(27,740)



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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
	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December 2014</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>		<u>2013</u>	<u>2014</u>	<u>2013</u>
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
(Loss)/Profit attributable to:-								
- Equity holders of HB	(12,312)	(11,462)	(7,025)	(6,181)	(42,810)	(42,771)	(24,429)	(23,066)
-Non-controlling interest	770	(2,090)	439	(1,127)	(1,230)	(8,667)	(702)	(4,674)
Total comprehensive income attributable to:-								
- Equity holders of HB	(12,312)	(11,462)	(7,025)	(6,181)	(42,810)	(42,771)	(24,429)	(23,066)
-Non-controlling interest	770	(2,090)	439	(1,127)	(1,230)	(8,667)	(702)	(4,674)
Earning Per Share *								
- Basic (RMB cents/ sen)	(2.63)	(2.45)	(1.50)	(1.32)	(9.15)	(9.14)	(5.22)	(4.93)
- 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: RM0.57065 at 31 December 2014 and RMB1 : 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 FOURTH QUARTER ENDED 31 DECEMBER 2014

Condensed Consolidated Statements of Financial Positions

	Unaudited As at 31 Dec 2014	Audited As at 31 Dec 2013	Unaudited As at 31 Dec 2014	Audited As at 31 Dec 2013
	RMB'000	RMB'000	RM'000	RM'000
<u>Non-Current Assets</u>				
Property, plant and equipment	352,806	208,429	201,327	112,404
Construction in progress	76,762	180,643	43,804	97,419
Biological assets	2,092	2,424	1,194	1,307
Intangible assets	114,341	113,831	65,248	61,388
	546,001	505,327	311,573	272,518
<u>Current Assets</u>				
Inventories	11,847	13,853	6,761	7,471
Trade receivables	17,632	25,597	10,062	13,803
Other receivables	2,392	3	1,317	2
Prepayment for land use right	159,429	165,897	90,978	89,467
Cash and bank balance	5,414	102,317	3,089	55,179
	196,715	307,667	112,207	165,922
TOTAL ASSETS	742,716	812,994	423,780	438,440
<u>Capital and Reserves</u>				
Share capital	146,160	146,161	83,406	78,823
Reserve	84,327	84,327	48,121	45,477
Non-controlling interest	(9,296)	(8,067)	(5,305)	(4,350)
Accumulated profits/(losses)	459,495	502,305	262,161	270,888
Total Equity	680,686	724,726	388,383	390,837
<u>Non-Current Liabilities</u>				
Borrowing	17,420	16,612	9,940	8,959
	17,420	16,612	9,940	8,959
<u>Current Liabilities</u>				
Trade payables	3,487	22,144	1,990	11,942
Other payable, accruals and allowance	13,518	22,826	7,714	12,310
Income tax liabilities	897	897	512	484
Amount due to a shareholder	2,742	2,997	1,565	1,616
Amount due to director	23,966	22,792	13,676	12,291
	44,610	71,656	25,457	38,643
Total Liabilities	62,030	88,268	35,397	47,602
TOTAL EQUITY AND LIABILITIES	742,716	812,994	423,780	438,440
Net asset per share attributable to equity holders of the Company (RMB / RM) <i>(1)</i>	1.45	1.55	0.83	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 31 December 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: RM0.57065 at 31 December 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 FOURTH QUARTER ENDED 31 DECEMBER 2014

Unaudited Condensed Consolidated Statements Of Changes In Equity

12 months ended 31 December 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	146,160	76,090	8,237	502,305	(8,067)	724,725
Total comprehensive income for the period	-	-	-	(42,810)	(1,230)	(44,040)
Dividend in respect of the financial ended 31 December 2014	-	-	-	-	-	-
At 31 December 2014	<u>146,160</u>	<u>76,090</u>	<u>8,237</u>	<u>459,495</u>	<u>(9,297)</u>	<u>680,686</u>

12 months ended 31 December 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	83,406	43,420	4,700	286,590	(4,603)	413,514
Total comprehensive income for the period	-	-	-	(24,429)	(702)	(25,131)
Dividend in respect of the financial ended 31 December 2014	-	-	-	-	-	-
At 31 December 2014	<u>83,406</u>	<u>43,420</u>	<u>4,700</u>	<u>262,161</u>	<u>(5,305)</u>	<u>388,383</u>

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Unaudited Condensed Consolidated Statements Of Changes In Equity (continue)

12 months ended 31 December 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	76,090	8,237	545,076	-	775,564
Total comprehensive income for the period	-	-	-	(42,771)	(8,667)	(51,438)
Acquisition of subsidiary	-	-	-	-	600	600
Transfer to reserves	-	-	-	-	-	-
At 31 December 2013	<u>146,161</u>	<u>76,090</u>	<u>8,237</u>	<u>502,305</u>	<u>(8,067)</u>	<u>724,726</u>

12 months ended 31 December 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	78,823	41,035	4,442	293,954	-	418,254
Total comprehensive income for the period	-	-	-	(23,066)	(4,674)	(27,740)
Acquisition of subsidiary	-	-	-	-	324	324
Transfer to reserves	-	-	-	-	-	-
At 31 December 2013	<u>78,823</u>	<u>41,035</u>	<u>4,442</u>	<u>270,888</u>	<u>(4,350)</u>	<u>390,838</u>

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2014

Unaudited Condensed Consolidated Statements Of Cash Flow

	As at 31 December 2014	As at 31 December 2013	As at 31 December 2014	As at 31 December 2013
	RMB'000	RMB'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/Profit before income tax	(43,509)	(42,450)	(24,828)	(22,893)
Adjustments for:				
Depreciation	22,957	16,245	13,100	8,761
Amortisation	2,505	3,892	1,429	2,099
Impairment loss on property, plant and equipment, construction in progress and intangible assets	9,822	23,765	5,605	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	6,992	5,533	3,990	2,984
Interest income	(221)	(562)	(126)	(303)
Interest expense	807	936	461	505
OPERATING LOSS BEFORE WORKING CAPITAL CHANGES	(646)	(7,147)	(369)	(3,854)
In inventories	2,006	519	1,145	280
In trade and other receivables	12,043	46,265	6,872	24,951
In trade and other payables	(27,965)	(22,158)	(15,958)	(11,950)
Cash from operations	(13,916)	(24,626)	(7,941)	13,281
Income tax paid	(531)	(10,037)	(303)	(5,413)
Interest received	221	562	126	303
Net cash generated from operating activities	(14,872)	8,004	(8,487)	4,317
CASH FLOWS FROM INVESTING ACTIVITIES				
Advance payment for land use rights	-	(60,000)	-	(32,358)
Addition of property, plant and equipment	(58,667)	(54,799)	(33,478)	(29,553)
Increase in biological assets	(4,676)	(7,957)	(2,668)	(4,291)
Payment of construction in progress	(19,607)	(38,029)	(11,189)	(20,509)
Net cash used in investing activities	(82,950)	(160,785)	(47,335)	(86,711)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowing from a shareholders	(148)	(46)	(84)	(25)
Interest Expense	(807)	(936)	(461)	(505)
Proceeds from borrowing from a director	1,874	2,838	1,069	1,531
Acquisition of subsidiary	-	600	-	324
Net cash generated from financing activities	919	2,456	524	1,325
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(96,903)	(150,325)	(55,298)	(81,070)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	102,317	252,642	58,387	136,250
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	5,414	102,317	3,089	55,180

Note:

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2014

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

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.



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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

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

	<u>Financial Year Ended 31 December 2014</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	209,313	32,426	15,587	14,372	271,698
Segment results	(4,375)	(1,131)	(34,641)	2,882	(37,265)
Other income					40,732
Unallocated costs					(46,168)
Finance expenses					(807)
(Loss) before income tax					(43,509)
Income tax expense					(531)
(Loss) for the period					(44,040)
Other segment information:					
Depreciation and amortisation					25,462
Capital expenditures					63,343

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8. Segment information (continue)

Financial Period Ended 31 December 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	119,444	18,504	8,895	8,201	155,044
Segment results	(2,497)	(645)	(19,768)	1,645	(21,265)
Other income					23,243
Unallocated costs					(26,346)
Finance expenses					(461)
Loss before income tax					(24,828)
Income tax expense					(303)
Loss for the period					(25,131)
Other segment information:					
Depreciation and amortisation					14,530
Capital expenditures					36,146

Note:

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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	277,922	37,831	11,789	50,329	377,871
Segment results	82,920	6,515	(67,583)	6,046	27,898
Other income					20,581
Unallocated costs					(89,993)
Finance expenses					(936)
Loss before income tax					(42,450)
Income tax expense					(8988)
Profit for the period					(51,438)
Other segment information:					
Depreciation and amortisation					20,137
Capital expenditures					98,583



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8. Segment information (continue)

<u>Financial Year Ended 31 December 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	149,883	20,402	6,358	27,142	203,786
Segment results	44,719	3,514	(36,447)	3,260	15,045
Other income					11,099
Unallocated costs					(48,533)
Finance expenses					(505)
Profit before income tax					(22,893)
Income tax expense					(4,847)
Profit for the period					<u>(27,740)</u>
Other segment information:					
Depreciation and amortisation					10,860
Capital expenditures					<u>53,166</u>

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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

No changes to the Group since the end of last financial year ended 31 December 2013.

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 RMB83.0 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	42,799
Construction of Feedstock plant	50,000	28,533
Power station, compressor and cabling	15,000	8,560

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	744	425	2,316	1,322
Post employment benefits	11	6	41	23

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 RMB106.2 million or approximately 28.1% from RMB377.9 million in financial period ended 31 December 2013 (“FYE2013”) to RMB271.7 million in financial period ended 31 December 2014 (“FYE2014”). The decrease was mainly due to decrease in sales of ready-to-serve (“RTS”) products and food processing products. The decrease in sales of RTS products was mainly attributable to the continuous bird flu, the depreciation of Japanese Yen against RMB and the general downturn in China economy.

Gross Profit (“GP”) margin decreased from 7.4% for FYE2013 to Gross Loss margin of 13.7% for FYE2014. This was mainly attributable to the gross loss for duck farming products and RTS products as a result of absorbing substantial fixed costs including labour costs, feeding cost, depreciation, amortisation and the reduction in selling price of RTS products for Japanese market in order to retain customers. The newly built slaughter house in FYE2014 led to higher labour costs, depreciation and factory expenses for the RTS segment during FYE2014. Other operating income increased by RMB20.2 million from RMB20.6 million in FYE2013 to RMB40.7 million in FYE2014 which was mainly attributable to the government grants of RMB2.5 million, sales of mature mother ducks of RMB19.2 million and partly due to the reversal of impairment of PPE in FY2014.

Selling and distribution expenses decreased by RMB0.9 million in FYE2014 as a result of low transport or freight charges and marketing fees incurred due to lower volume of export for the period under review. General and administration expenses had decreased significantly by RMB27.7 million in FYE2014 mainly due to decrease in special audit fee of RMB1.8 million, Tokyo office operation cost of RMB2.0 million, staff costs of RMB2.2 million and the reduction in general expenses of RMB26.1 million which arose from the classification from cost of sales for duck farming division in FYE2013 and offset by the increased in depreciation, amortization and land & properties taxes in FYE2014.

Other operating expenses reduced by RMB15.3 million in FYE2014 is mainly due to the decrease in impairment loss on property, plant and equipment for RMB20.2 million and the loss on fair value of biological assets for RMB5.5 million and offset by sale of mature mother ducks of RMB11.0 million for the period under review.

There is only marginal increase of Net Loss before taxation of RMB1.0 million is mainly due to the low gross profit margin of RTS products and the continuous loss incurred on duck farming business during FYE2014.

Review of Balance Sheet

The additions to property, plant and equipment for the current quarter is mainly due to the completion of the slaughter house and its related facilities. The downsizing in investment of biological assets in FYE2014 has reduced the carrying value of biological assets to RMB2.1 million in FYE2014.

As a result of the low demand in our products and scale down of investment in biological assets, the inventories were kept at minimum stock level when compared to FYE2013. Trade receivables decreased by RMB8.0 million from RMB25.6 million in FYE2013 to RMB17.6 million in FPE2014 due to low demand of our products during the quarter under review as compared to preceding year corresponding quarter. Trade payables decreased from RMB22.1 million in FYE2013 to RMB3.5 million in FYE2014 was mainly due to low demand of duck meat RTS products and own supply of duck meat from duck farming segment which reduced the purchase in the current quarter.

Review of Cash Flow Statement

Net cash used from operating activities increased for FYE2014 was mainly due to the sharp decrease in revenue and the gross losses incurred in the duck farming division and RTS segment in FYE2014.



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Net cash used in investing activities decreased by RMB77.8 million from RMB160.8 million in FPE2013 to RMB83.0 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 and the scale down of size of investment in mother ducks.

2. Variation of results against immediate preceding quarter

	Current Quarter 31 December 2014		Preceding Quarter 30 September 2014	
	RMB'000	RM'000	RMB'000	RM'000
Revenue	44,322	25,298	79,041	42,065
(Loss) Before Taxation	(11,542)	(6,586)	(14,236)	(7,576)
(Loss) After Taxation	(11,542)	(6,586)	(14,236)	(7,576)

The Group recorded revenue of RMB44.3 million in the current quarter, decreased by approximately RMB34.7 million or 43.9% from RMB79.0 million in the immediate preceding quarter due to the low demand for our products from overseas market and general down turn economic condition.

The Loss before taxation and after taxation decrease is mainly due to the downsizing of the investment in mother duck and reduced losses of the duck farming segment. The duck farming segment were still affected by the H7N9 bird flu where the duck eggs and duckling prices for the period under review are still at a low level which are below the costs.

3. Prospects for FYE 2015

The Group intends to next focus its attention to export its products to the European market and the Halal market. For Halal market, the group is expecting to obtain its China Halal certification in FY2015 and to obtain Global certification within next the few years. In order to penetrate to the European market, the Group also intends to obtain both the European HACCP and ISO certification on our facilities within the next few years once the full facilities are completed to included feedstock plant, meat duck farm and cold storage system. The management has identified various sources of funds available to meet the ongoing operations.

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 were 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 RM44,304,000 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 December 2014 were as follows:

	RMB'000	RM'000
Loans – unsecured*	17,420	9,940

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.



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12. Realised and Unrealised Profit/Losses Disclosure

The retained earnings as at 31 December 2014 and 30 September 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	458,415	261,595	500,465	269,901
- Unrealised	1,080	616	1,840	992
Total Group Retained Earnings	459,495	262,211	502,305	270,893

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13. Earning per share

Basic Earning per Share

	Quarter Ended	Preceding Year	Quarter	Preceding Year	Year to Date	Year to Date	Year to Date	Year to Date
	31 Dec 2014	Corresponding	Ended	Corresponding	Ended	Ended	Ended	Ended
	31 Dec 2014	Quarter	31 Dec 2014	Quarter	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
	RMB'000	31 Dec 2013	RM'000	31 Dec 2013	RMB'000	RMB'000	RM'000	RM'000
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Loss attributable to - equity holders of the company	(12,312)	(11,462)	(7,025)	(6,181)	(42,810)	(42,771)	(24,429)	(23,066)
Weighted average number of ordinary share in issue ('000)	468,000	468,000	468,000	468,000	468,000	468,000	468,000	468,000
Earning Per Share - Basic (RMB cents/ sen)	(2.63)	(2.45)	(1.50)	(1.32)	(9.15)	(9.14)	(5.22)	(4.93)

By Order of the Board

SHEN HENGBAO
Chief Executive Officer