



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 2015

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2015

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 2015	30 June 2014	30 June 2015	30 June 2014	30 June 2015	30 June 2014	30 June 2015	30 June 2014
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Revenue	50,243	83,659	30,953	43,628	86,662	148,325	53,390	77,352
Cost of sales	(60,655)	(92,040)	(37,368)	(47,999)	(105,175)	(155,517)	(64,795)	(81,102)
Gross Profit	(10,412)	(8,381)	(6,415)	(4,371)	(18,513)	(7,192)	(11,405)	(3,750)
Other operating income	694	69	428	36	849	2,655	523	1,385
Selling and distribution expenses	(234)	(292)	(144)	(152)	(536)	(717)	(330)	(374)
General and administrative expenses	(8,853)	(6,906)	(5,454)	(3,601)	(20,309)	(12,095)	(12,512)	(6,308)
Other operating expenses	-	(108)	-	(56)	-	(383)	-	(200)
Operating profits	(18,805)	(15,618)	(11,585)	(8,145)	(38,509)	(17,732)	(23,724)	(9,247)
Finance costs	(272)	-	(167)	-	(272)	-	(167)	-
Profit Before Taxation	(19,077)	(15,618)	(11,752)	(8,145)	(38,781)	(17,732)	(23,891)	(9,247)
Taxation	-	-	-	-	-	(531)	-	(277)
Profit After Taxation	(19,077)	(15,618)	(11,752)	(8,145)	(38,781)	(18,263)	(23,891)	(9,524)
Other comprehensive income for the period (net of tax)	-	-	-	-	-	-	-	-
Total comprehensive income after tax	(19,077)	(15,618)	(11,752)	(8,145)	(38,781)	(18,263)	(23,891)	(9,524)



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2015

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 2015	30 June 2014	30 June 2015	30 June 2014	30 June 2015	30 June 2014	30 June 2015	30 June 2014
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
(Loss)/Profit attributable to:-								
- Equity holders of HB	(18,666)	(15,282)	(11,500)	(7,970))	(37,946)	(17,870)	(23,378)	(9,319)
-Non-controlling interest	(411)	(336)	(252)	(175)	(835)	(393)	(513)	(205)
Total comprehensive income attributable to:-								
- Equity holders of HB	(18,666)	(15,282)	(11,500)	(7,970))	(37,946)	(17,870)	(23,378)	(9,319)
-Non-controlling interest	(411)	(336)	(252)	(175)	(835)	(393)	(513)	(205)
Earning Per Share *								
- Basic (RMB cents/ sen)	(4.07)	(3.34)	(2.51)	(1.74)	(8.28)	(3.90)	(5.10)	(2.04)
- 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: RM0.6161 at 30 June 2015 and : RM0.5215 at 30 June 2014 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 2015

Condensed Consolidated Statements of Financial Positions

	Unaudited As at 31 June 2015	Audited As at 31 Dec 2014	Unaudited As at 31 June 2015	Audited As at 31 Dec 2014
	RMB'000	RMB'000	RM'000	RM'000
Non-Current Assets				
Property, plant and equipment	278,181	287,356	171,379	173,816
Construction in progress	140,211	142,211	86,380	86,021
Biological assets	2,689	673	1,657	407
Intangible assets	114,426	114,426	70,494	69,214
	535,507	544,666	329,910	329,458
Current Assets				
Inventories	18,321	11,847	11,287	7,166
Trade and other receivables	26,914	19,941	16,581	12,061
Prepayment for land use right	159,429	159,429	98,219	96,435
Amount due from directors	-	-	-	-
Cash and bank balance	5,114	5,440	3,151	3,291
	209,778	196,657	129,238	118,953
TOTAL ASSETS	745,285	741,323	459,148	448,411
Capital and Reserves				
Share capital	146,161	146,161	90,045	88,410
Reserve	84,327	84,327	51,951	45,477
Non-controlling interest	(10,343)	(9,499)	(6,371)	(4,350)
Accumulated profits/(losses)	420,900	458,836	259,304	270,888
Total Equity	641,045	679,825	394,929	411,213
Non-Current Liabilities				
Loan from shareholders	17,419	17,419	10,731	10,536
Current Liabilities				
Trade payables	44,692	3,487	27,533	2,109
Other payable	16,294	12,818	10,038	7,753
Income tax liabilities	366	366	226	221
Amount due to a shareholder	2,892	2,742	1,782	1,659
Amount due to director	22,577	24,666	13,909	14,920
	86,821	44,079	53,488	26,662
Total Liabilities	104,240	61,498	64,219	37,198
TOTAL EQUITY AND LIABILITIES	745,285	741,323	459,148	448,411
Net asset per share attributable to equity holders of the Company (RMB / RM) ⁽¹⁾	1.37	1.45	0.84	0.88

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 2015 and 31 December 2014 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:RM1: RM0.6161 at 30 June 2015 and 1: RM0.5706 at 31 December 2014 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 2015

Unaudited Condensed Consolidated Statements Of Changes In Equity

6 months ended 30 June 2015	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 2015	146,161	76,090	8,237	458,836	(9,499)	679,825
Total comprehensive income for the period	-	-	-	(37,936)	-	(37,936)
Transfer to minority interest	-	-	-	-	(844)	(844)
At 30 June 2015	<u>146,161</u>	<u>76,090</u>	<u>8,237</u>	<u>420,900</u>	<u>(10,343)</u>	<u>641,045</u>

6 months ended 30 June 2015	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 2015	90,045	46,876	5,075	282,675	(5,852)	418,819
Total comprehensive income for the period	-	-	-	(23,371)	-	(23,371)
Transfer to minority interest	-	-	-	-	(519)	(519)
At 30 June 2015	<u>90,045</u>	<u>46,876</u>	<u>5,075</u>	<u>259,304</u>	<u>(6,371)</u>	<u>394,929</u>

Note:

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Unaudited Condensed Consolidated Statements Of Changes In Equity (continue)

6 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	146,161	76,090	8,237	502,305	(8,067)	724,726
Total comprehensive income for the period	-	-	-	(16,634)		(16,634)
Transfer to minority interest	-	-	-	-	(1,629)	(1,629)
At 30 June 2014	<u>146,161</u>	<u>76,090</u>	<u>8,237</u>	<u>485,671</u>	<u>(9,696)</u>	<u>706,463</u>

6 months ended 30 June 2014	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 2014	76,223	39,681	4,296	261,952	(4,207)	377,945
Total comprehensive income for the period				(8,674)		(8,674)
Transfer to minority interest					(849)	(849)
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>368,422</u>

Note:

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2015

Unaudited Condensed Consolidated Statements Of Cash Flow

	As at 30 June 2015	As at 31 December 2014	As at 30 June 2015	As at 31 December 2014
	RMB'000	RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/Profit before income tax	(38,781)	(43,509)	(23,891)	(24,828)
Adjustments for:				
Depreciation	10,259	22,957	6,747	13,100
Amortisation	693	2,505	-	1,429
Impairment loss on property, plant and equipment, construction in progress and intangible assets	-	9,822	-	5,605
Impairment loss on property, plant and equipment, construction in progress and intangible assets written back	-	-	-	-
Sales/death of biological assets	-	-	-	-
Loss on fair value of biological assets	-	6,992	-	3,990
Interest income	-	(221)	-	(126)
Interest expense	272	807	-	461
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	(27,557)	(646)	(17,144)	(369)
In inventories	(6,474)	2,006	(3,988)	1,145
In trade and other receivables	(6,973)	12,043	(4,296)	6,872
In trade and other payables	44,681	(27,965)	27,527	(15,958)
Cash from operations	31,234	(13,916)	19,243	(7,941)
Income tax paid	-	(531)	-	(303)
Interest received	-	221	-	126
Net cash generated from operating activities	3,677	(14,872)	2,099	(8,487)
CASH FLOWS FROM INVESTING ACTIVITIES				
Addition of property, plant and equipment	(1,083)	(58,667)	(1,094)	(33,478)
Increase in biological assets	(2,709)	(4,676)	(1,242)	(2,668)
Proceed from disposal of property, plant and equipment	-	-	-	-
Construction in progress	2,000	(19,607)	1,232	(11,189)
Net cash used in investing activities	(1,792)	(82,950)	(1,104)	(47,335)
CASH FLOWS FROM FINANCING ACTIVITIES				
Advance from director	(2,089)	-	(1,288)	-
Borrow from shareholder	150	-	93	-
Repayment of borrowings from a shareholder	-	(148)	-	(84)
Interest expenses	(272)	(807)	-	(461)
Proceeds from borrowing from a director	-	1,874	-	1,069
Net cash generated from financing activities	(2,211)	919	(1,195)	524
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(326)	(96,903)	(200)	(55,298)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	5,440	102,317	3,351	58,387
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	5,114	5,414	3,151	3,089

Note:

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A. SELECTED EXPLANATORY NOTES TO THE UNAUDITED FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2015

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 2014 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 2015.

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 2014 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 30 June 2015</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	78,734	6,375	-	1,553	86,662
Segment results	(7,177)	(533)	(10,704)	(99)	(18,513)
Other income					849
Unallocated costs					(20,845)
Finance expenses					(272)
(Loss) before income tax					(38,781)
Income tax expense					-
(Loss) for the period					(38,781)
Other segment information:					
Depreciation and amortisation					10,952
Capital expenditures					3,792

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8. Segment information (continue)

Financial Period Ended 30 June 2015					
	<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	48,506	3,927	-	957	53,390
Segment results	(4,422)	(328)	(6,594)	(61)	(11,405)
Other income					523
Unallocated costs					(12,842)
Finance expenses					(167)
(Loss) before income tax					(23,891)
Income tax expense					-
(Loss) for the period					(23,891)
Other segment information:					
Depreciation and amortisation					6,747
Capital expenditures					2,336

Note:

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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 Year 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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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 RMB3.8 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	448	271	896	542
Post employment benefits	-	-	-	-

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2015

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 RMB61.6 million or approximately 41.6% from RMB148.3 million in financial period ended 30 June 2014 (“FPE2014”) to RMB86.7 million in financial period ended 30 June 2015 (“FPE2015”). The decreased was mainly due to decrease in sales of our products. The decrease in sales of RTS products and Frozen vegetable was mainly attributable to the continuous appreciation of RMB against Japanese Yen. Duck farming business was temporary suspend operation for upgrading facilities requirement imposed by authority and the losses mainly the fixed cost incurred during the period.

Gross Loss (“GL”) margin increased from 4.9% for FPE2014 to Gross Loss margin of 21.4% for FPE2015. This was mainly attributable to the gross loss for duck farming products as a result of absorbing substantial fixed costs and the gross loss of RTS products. Gross profit margin for RTS Foods from 6.8% for FPE2014 to a gross loss margin of 9.1% for FPE2015 was mainly due to the lower demand from customers and high level of fixed costs absorbed and the strong currency of RMB where our products were directly or indirectly export to Japan market. Other operating income decreased by RMB1.9 million from RMB2.7 million in FPE2014 to RMB0.8 million in FPE2015 which was mainly attributable to the government grants of RMB2.5 million in FPE2014. The current period other operating income was mainly unrealized exchange gain arising in oversea holding company.

Selling and distribution expenses decreased by RMB1.8 million in FPE2015 as a result of lower transport charges incurred for the period under review due to low demand of our products. General and administration expenses increased by RMB8.2 million in FPE2015 was mainly due to increase in depreciation charges and amortization of land use right of approximately RMB1.5 million in FPE2015, the increase of RMB1.0 million in staff salaries, the increased of RMB1.5million in land and properties taxes, increase in rental of land of RMB2.9million for vegetable farm and other expenses of RMB0.6million. Other operating expense decreased was mainly due unrealized loss of exchange difference in FPE2014 for oversea holding company. Net Loss before taxation of RMB38.8 million in FPE2015 as compare to Net Loss before taxation of RMB18.3 million mainly due to the low demand of our products and high fixed costs of processing plant and duck farming business to include the high depreciation and amortisation of fixed assets.

Review of Balance Sheet

There is a marginal addition to property, plant and equipment for the current quarter as the group had slow down the investment in PPE during the period under review. The increase of biological assets in FPE2015 was mainly due to the replacement of the obsolete biological assets with minimum size of investment.

Group policies is to keep inventories at a minimum stock level and to in line with the order received, inventories increased to RMB18.3million as compared to RMB11.8 million in FYE2014 . Trade receivables increased by RMB7.0 million from RMB19.9 million in FYE2014 to RMB26.9 million in FPE2015 due to improved demand of our products during the quarter under review. Trade payables increased from RMB3.5 in FYE2014 to RMB44.7 million in FPE2015 was mainly due to the extended payment term with our suppliers and increase purchases in the current quarter.

Review of Cash Flow Statement

Net cash generated from operating activities increased by RMB18.3 million from net cash used of RMB14.9 million for FYE2014 to RMB3.4 million in FPE2015. The increment was mainly due to the extended payment term granted from suppliers.

Net cash used in investing activities decreased by RMB81.2 million from RMB83.0 million in FYE2014 to RMB1.8 million in FPE2015. This was mainly due to the Group has temporary slowdown the investment activities



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in duck farming segment where the volatile economic conditions and currency issues still remain an issues during the period under review.

2. Variation of results against immediate preceding quarter

	Current Quarter 30 June 2015		Preceding Quarter 31 Mar 2015	
	RMB'000	RM'000	RMB'000	RM'000
Revenue	50,243	30,953	36,419	22,029
(Loss) Before Taxation	(19,076)	(11,752)	(19,704)	(11,918)
(Loss) After Taxation	(19,076)	(11,752)	(19,704)	(11,918)

The Group recorded revenue of RMB50.2 million in the current quarter, increased by approximately RMB13.8 million or 37.9% from RMB36.4 million in the immediate preceding quarter due to the demand for our products from overseas market increased in current quarter.

The Loss before taxation and after taxation increase is mainly due to the losses incurred by the duck farming segment and the selling price reduction due to appreciation of Chinese Renminbi.

3. Prospects for FYE 2015

Despite the continued softening of the export market, the appreciation of Chinese Renminbi against other currency, sentiment amid credit tightening measures by financial institutions and a volatile economic environment, the group remain cautiously optimistic as the China's Government will take measurement on the currency issues and the balance of the international trade.

The management expects and believed that the Group will be in better position once the group able to penetrate into more local market and expect to compensate the reduce demand of some export 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.

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.



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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 30 June 2015 were as follows:

	RMB'000	RM'000
Loans – unsecured*	17,419	10,731

Loans – unsecured*

On 25 September 2009, the subsidiary company entered into a loan agreement with Shen Hengbao, Meng Xiangzhen, Wu Fang, Yao Zhifang and Shi Geli (collectively referred to as the “Ultimate-shareholders”) amounting to RMB21.80 million as lenders. The loan is interest free. The tenure of the loan is 10 years and will be automatically renewed for another 10 years unless the Directors decide that the loan is no longer required.

Notes:-

(a) After incorporating the fair value adjustment made on the loan from Ex-shareholders amounting to RMB15.31 million.

10. Off-balance sheet financial instrument risks

There are no financial instruments with off-balance sheet risks as at the date of this report.

11. Changes in material litigation

As at the date of this report, there has been no litigation or arbitration, which has a material effect on the financial position of the Group and the Board is not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings.

12. Realised and Unrealised Profit/Losses Disclosure

The retained earnings as at 30 June 2015 and 31 March 2015 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	420,353	258,967	438,536	265,262
- Unrealised	547	337	1,020	617
Total Group Retained Earnings	420,900	259,304	439,556	265,879



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13. Earning per share

Basic Earning per Share

	Quarter Ended	Preceding Year	Quarter	Preceding Year	Year to Date	Year to Date	Year to Date	Year to Date
	30 Jun 2015	Corresponding	Ended	Corresponding	Ended	Ended	Ended	Ended
	30 Jun 2015	Quarter	30 Jun 2015	Quarter	30 Jun 2015	30 Jun 2014	30 Jun 2015	30 Jun 2014
	RMB'000	30 Jun 2014	RM'000	30 Jun 2014	RMB'000	RMB'000	RM'000	RM'000
Loss attributable to - equity holders of the company	(19,077)	(15,618)	(11,752)	(8,145)	(38,781)	(18,263)	(23,891)	(9,524)
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)	(4.08)	(3.34)	(2.51)	(1.74)	(8.29)	(3.90)	(5.10)	(2.04)

By Order of the Board

SHEN HENGBAO
Chief Executive Officer