



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 2015

Contents

Unaudited Condensed Consolidated Statements Of Comprehensive Income

Condensed Consolidated Statements Of Financial Position

Unaudited Condensed Consolidated Statements Of Changes in Equity

Unaudited Condensed Consolidated Statements Of Cash Flow

Notes to the Interim Financial Report

Additional information



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 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
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	2015	2014	2015	2014	2015	2014	2015	2014
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Revenue	96,115	44,332	63,754	25,298	270,238	271,698	179,249	155,044
Cost of sales	(140,417)	(69,404)	(93,138)	(39,605)	(363,054)	(284,363)	(240,814)	(162,271)
Gross profit	(44,303)	(25,072)	(29,386)	(14,307)	(92,816)	(12,665)	(61,565)	(7,227)
Other operating income	22,618	38,050	15,002	21,713	23,985	20,272	15,909	11,568
Selling and distribution expenses	(818)	(433)	(543)	(247)	(1,620)	(5,723)	(1,074)	(3,266)
General and administrative expenses	(8,640)	(8,020)	(5,731)	(4,577)	(36,059)	(29,474)	(23,918)	(16,819)
Other operating expenses	(259,514)	(15,260)	(172,136)	(8,708)	(259,514)	(16,504)	(172,136)	(9,418)
Operating profits	(290,657)	(10,734)	(192,793)	(6,125)	(366,025)	(44,094)	(242,784)	(25,162)
Finance costs	(3,329)	(807)	(2,208)	(461)	(4,753)	(807)	(3,153)	(461)
Loss Before Taxation	(293,986)	(11,542)	(195,001)	(6,586)	(370,778)	(44,901)	(245,937)	(25,623)
Taxation	897	-	595	-	897	-	595	-
Loss After Taxation	(293,089)	(11,542)	(194,406)	(6,586)	(369,881)	(44,901)	(245,342)	(25,623)
Other comprehensive income for the period (net of tax)	-	-	-	-	-	-	-	-
Total comprehensive income after tax	(293,089)	(11,542)	(194,406)	(6,586)	(369,881)	(44,901)	(245,342)	(25,623)



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 2015

Unaudited Condensed Consolidated Statement Of Comprehensive Income (continue)

	Quarter Ended <u>31 December</u> 2015	Preceding Year Corresponding Quarter <u>31 December</u> 2014	Quarter Ended <u>31 December</u> 2015	Preceding Year Corresponding Quarter <u>31 December</u> 2014	Year to Date Ended <u>31 December</u> 2015	Year to Date Ended <u>31 December</u> 2014	Year to Date Ended <u>31 December</u> 2015	Year to Date Ended <u>31 December</u> 2014
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Loss attributable to:-								
- Equity holders of HB	(293,089)	(12,312)	(194,406)	(7,025)	(363,139)	(43,469)	(240,870)	(24,806)
-Non-controlling interest	-	770	-	439	(6,742)	(1,432)	(4,472)	(817)
Total comprehensive income attributable to:-								
- Equity holders of HB	(293,089)	(12,312)	(194,406)	(7,025)	(363,139)	(43,469)	(240,870)	(24,806)
-Non-controlling interest	-	770	-	439	(6,742)	(1,432)	(4,472)	(817)
Earning Per Share *								
- Basic (RMB cents/ sen)	(62.62)	(2.63)	(41.54)	(1.50)	(77.59)	(9.29)	(51.47)	(5.30)
- 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: RM0.6633 at 31 December 2015 and RMB1 : RM0.57065 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.



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 2015

Condensed Consolidated Statements of Financial Positions

	Unaudited As at 31 Dec 2015	Audited As at 31 Dec 2014	Unaudited As at 31 Dec 2015	Audited As at 31 Dec 2014
	RMB'000	RMB'000	RM'000	RM'000
<u>Non-Current Assets</u>				
Property, plant and equipment	243,384	287,356	161,438	163,980
Construction in progress	70,109	142,211	46,504	81,153
Biological assets	2,487	673	1,650	384
Intangible assets	65,523	114,426	43,462	65,297
	381,503	544,666	253,053	310,814
<u>Current Assets</u>				
Inventories	8,741	11,847	5,798	6,760
Trade receivables	14,679	17,626	9,737	10,058
Other receivables	2,483	2,315	1,647	1,321
Prepayment for land use right	59,795	159,429	39,662	90,978
Cash and bank balance	699	5,440	463	3,104
	86,398	196,657	57,307	112,221
TOTAL ASSETS	467,901	741,323	310,360	423,035
<u>Capital and Reserves</u>				
Share capital	146,161	146,161	96,949	83,407
Reserve	83,675	84,327	55,502	48,121
Non-controlling interest	400	(9,499)	265	(5,421)
Accumulated profits	78,856	458,836	52,306	261,835
Total Equity	309,091	679,825	205,022	387,942
<u>Non-Current Liabilities</u>				
Amount due to director	12,453	17,419	8,260	9,940
Amount due to shareholders	2,430	-	1,612	-
	14,883	17,419	9,872	9,940
<u>Current Liabilities</u>				
Trade payables	3,957	3,487	2,625	1,989
Other payable, accruals and allowance	113,225	12,818	75,103	7,314
Income tax liabilities	-	366	-	209
Amount due to a shareholder	2,742	2,742	1,819	1,565
Amount due to director	24,004	24,666	15,922	14,076
	143,928	44,079	95,469	25,153
Total Liabilities	158,811	61,498	105,341	35,093
TOTAL EQUITY AND LIABILITIES	467,901	741,323	310,360	423,035
Net asset per share attributable to equity holders of the Company (RMB / RM) (1)	0.66	1.45	0.44	0.83

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 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: RM0.6633 at 31 December 2015 and 1: RM0.57065 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.



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 2015

Unaudited Condensed Consolidated Statements Of Changes In Equity

12 months ended 31 December 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				(363,139)	(6,742)	(369,881)
Transfer from reserves to retained earnings	-	-	(652)	(16,841)	16,641	(853)
At 31 December 2015	<u>146,161</u>	<u>76,090</u>	<u>7,585</u>	<u>78,856</u>	<u>400</u>	<u>309,091</u>

12 months ended 31 December 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	96,949	50,471	5,464	304,346	(6,301)	450,929
Total comprehensive income for the period				(240,870)	(4,472)	(245,342)
Transfer from reserves to retained earnings	-	-	(433)	(11,170)	11,038	(565)
At 31 December 2015	<u>96,949</u>	<u>50,471</u>	<u>5,031</u>	<u>52,306</u>	<u>265</u>	<u>205,022</u>

Note:

- (1) 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: RM0.6633 at 31 December 2015 and : RM0.57065 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.



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 2015

Unaudited Condensed Consolidated Statements Of Changes In Equity (continue)

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	146,161	76,090	8,237	502,305	(8,067)	724,726
Total comprehensive income for the period	-	-	-	(43,469)	(1,432)	(44,901)
At 31 December 2014	<u>146,161</u>	<u>76,090</u>	<u>8,237</u>	<u>458,836</u>	<u>(9,499)</u>	<u>679,825</u>

12 months ended 31 December 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	83,407	43,421	4,700	286,641	(4,604)	413,565
Total comprehensive income for the period	-	-	-	(24,806)	(817)	(25,623)
At 31 December 2014	<u>83,407</u>	<u>43,421</u>	<u>4,700</u>	<u>261,835</u>	<u>(5,421)</u>	<u>387,942</u>

Note:

- (1) 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: RM0.6633 at 31 December 2015 and : RM0.57065 at 31 December 2014 with comparatives is 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.



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 2015

Unaudited Condensed Consolidated Statements Of Cash Flow

	As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
	RMB'000	RMB'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before income tax	(370,778)	(44,901)	(245,937)	(25,623)
Adjustments for:				
Depreciation	25,876	22,443	17,163	12,807
Amortisation	2,542	2,384	1,686	1,360
Loss on disposal of property, plant and equipment	-	56	-	32
Impairment loss on property, plant and equipment, construction in progress and intangible assets	244,931	6,412	162,463	3,659
Impairment loss on property, plant and equipment, construction in progress and intangible assets written back	-	(15,438)	-	(8,809)
Sales/death of biological assets	-	2,436	-	1,390
Gain on fair value of biological assets	(976)	(40)	(647)	(23)
Interest income	(64)	(247)	(42)	(141)
Interest expense	4,753	807	3,153	461
OPERATING LOSS BEFORE WORKING CAPITAL CHANGES	(93,716)	(26,088)	(62,161)	(14,887)
In inventories	3,106	2,006	2,060	1,145
In trade and other receivables	(102,414)	12,127	(67,931)	6,920
In trade and other payables	100,876	(22,914)	66,911	(13,076)
Cash from operations	1,568	(8,781)	1,040	(5,011)
Income tax paid	(531)	(532)	(352)	(303)
Interest received	64	247	42	141
Net cash generated from / (used in) operating activities	(92,615)	(35,154)	(61,431)	(20,060)
CASH FLOWS FROM INVESTING ACTIVITIES				
Addition of property, plant and equipment	-	(30,921)	-	(17,645)
Increase in biological assets	(838)	(645)	(556)	(368)
Proceeds from disposal of property, plant and equipment	-	50	-	29
Payment of construction in progress	(14)	(31,826)	(9)	(18,162)
Net cash used in investing activities	(852)	(63,342)	(565)	(36,146)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of Advance from director	(662)	-	(439)	-
Repayment of borrowing from a shareholders	-	(255)	-	(146)
Interest Expense	(4,753)	-	(3,153)	-
Proceeds from borrowing from a director	-	1,874	-	1,069
(Repayment)/Proceeds of borrowing (to)/from shareholder	(2,536)	-	(1,682)	-
Acquisition of subsidiary	(200)	-	(133)	-
Net cash generated (used in) / from financing activities	(8,151)	1,619	(5,407)	923
NET DECREASE IN CASH AND CASH EQUIVALENTS	(101,618)	(96,877)	(67,403)	(55,283)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	102,317	102,317	67,867	58,387
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	699	5,440	464	3,104

Note:

(1) 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: RM0.6633 at 31 December 2015 and : RM0.57065 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.



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 2015

A. SELECTED EXPLANATORY NOTES TO THE UNAUDITED FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 December 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 31 December 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 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 other than impairment on property, plant and equipment amounting to RMB259.3 million arising from the adverse valuation results carried out by professional valuer.

5. Changes in estimates

There were no material changes in estimates for the current quarter and financial year-to-date.



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 2015

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

	Financial Year Ended 31 December 2015				
	<u>Ready-to-serve Food</u>	<u>Frozen Vegetables</u>	<u>Duck Farming</u>	<u>Others</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	252,305	14,700	554	2,679	270,238
Segment results	(37,012)	(2,093)	(53,462)	(249)	(92,816)
Other income					23,985
Unallocated costs					(297,193)
Finance expenses					(4,753)
Loss before income tax					(370,778)
Income tax expense					897
Loss for the period					(369,881)
Other segment information:					
Depreciation and amortisation					28,418
Capital expenditures					852

(The rest of this page is intentionally left blank)



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 2015

8. Segment information (continue)

Financial Period Ended 31 December 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	167,354	9,751	367	1,777	179,249
Segment results	(24,551)	(1,388)	(35,462)	(165)	(61,566)
Other income					15,909
Unallocated costs					(197,128)
Finance expenses					(3,153)
Loss before income tax					(245,937)
Income tax expense					595
Loss for the period					(245,342)
Other segment information:					
Depreciation and amortisation					18,849
Capital expenditures					565

Note:

- (1) 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: RM0.6633 at 31 December 2015 and RMB1: RM0.57065 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.

Financial Year Ended 31 December 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	209,313	32,426	15,587	14,372	271,698
Segment results	(4,375)	(1,131)	(34,641)	2,882	(37,265)
Other income					44,872
Unallocated costs					(51,701)
Finance expenses					(807)
Loss before income tax					(44,901)
Income tax expense					-
Loss for the period					(44,901)
Other segment information:					
Depreciation and amortisation					24,827
Capital expenditures					56,997



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 2015

8. Segment information (continue)

Financial Year 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					25,606
Unallocated costs					(29,503)
Finance expenses					(461)
Loss before income tax					(25,623)
Income tax expense					-
Loss for the period					(25,623)
Other segment information:					
Depreciation and amortisation					14,168
Capital expenditures					32,525

Note:

- (1) 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: RM0.6633 at 31 December 2015 and RMB1: RM0.57065 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.

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 2014.

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 RMB0.9 million, consist of property, plant and equipment, construction in progress facilities and biological assets.



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 2015

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	57,000	42,799
Construction of Feedstock plant	50,000	28,533
Power station, compressor and cabling	37,300	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	448	297	1,792	1,189
Post employment benefits	-	-	-	-

(The rest of this page is intentionally left blank)



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 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 slightly by RMB1.7 million or approximately 0.6% from RMB271.7 million in financial year ended 31 December 2014 (“FYE2014”) to RMB270.0 million in financial year ended 31 December 2015 (“FYE2015”). The decrease was mainly due to decrease in sales of ready-to-serve (“RTS”) products and duck farming products. The decrease in sales of RTS products was mainly attributable to the appreciation of RMB against other countries currency and the weak China economy.

Gross Loss (“GL”) margin increased from 4.7% in FYE2014 to Gross Loss margin of 34.3% in FYE2015. 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.

Other operating income increased by RMB3.8 million from RMB20.2 million in FYE2014 to RMB24.0 million in FYE2015. Included in other operating income for FY2015 are reversal of impairment on property, plant and equipment of RMB21.9 million, fair value adjustment on Biological Assets of RMB1.0 million, interest income and exchange difference of RMB2.0 million. Whereas in FY2014, other operating income included government grants of RMB2.5 million, sale of matured mother ducks of RMB0.9 million, reversal of impairment on property, plant and equipment of RMB15.4 million and exchange gain of RMB1.1million.

Selling and distribution expenses decreased by RMB4.1 million in FYE2015 as a result of lower transport and freight charges and marketing fees incurred due to lower export volume. General and administration expenses had increased by RMB6.6 million in FYE2015 mainly due to increase in depreciation and amortization of RMB6.2 million, land and properties taxes of RMB1.5 million but offset by the decrease in Tokyo office expenses of RMB1.0 million and other general expense in FYE2015.

Other operating expenses increased by RMB243.0 million in FYE2015 is mainly due to the increase in impairment loss on property, plant and equipment for RMB259.3 million and the loss on fair value of biological assets for RMB1.0 million as a result of the adverse valuation results carried out by a professional valuer.

The significant increase of Net Loss before taxation of RMB370.8 million is mainly due to the gross loss of our products and the continuous loss incurred on duck farming business and the significant impairment losses on property, plant and equipment during FYE2015.

Review of Balance Sheet

The additions to property, plant and equipment for the current quarter is mainly due to the completion of the waste water treatment plant and the cleaning of duck farming pond. The increase in investment of biological assets in FYE2015 was the fair value of biological assets upon assessing the market value of the biological assets by the professional valuer.

As a result of the low demand in our products and scale down of investment in biological assets, the inventories were kept at minimum level when compared to FYE2014. Trade receivables decreased by RMB2.9 million from RMB17.6 million in FYE2014 to RMB14.7 million in FYE2015 due to lower demand of our products during the year. Trade payables increased slightly from RMB3.5 million in FYE2014 to RMB4.0 million in FYE2015. The increase in other payables, accruals and allowance in FY2015 by approximately RMB100.4 million was mainly due to the advance by our customers amounting to RMB100.0 million.



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 2015

Review of Cash Flow Statement

Net cash used in operating activities increased in FYE2015 by approximately RMB57.5 million was mainly due to the significant losses incurred during the FYE2015 and the sharp decrease in trade and other receivable which offset by the sharp increase in trade and other payables.

Net cash used in investing activities decreased by RMB62.5 million from RMB63.3 million in FYE2014 to RMB1.0 million in FYE2015. This was mainly due to the Group has suspended the investment activities in duck farming segment where the weak economy sentiment continue.

2. Variation of results against immediate preceding quarter

	Current Quarter 31 December 2015		Preceding Quarter 30 September 2015	
	RMB'000	RM'000	RMB'000	RM'000
Revenue	96,115	63,754	87,461	61,151
Loss Before Taxation	(293,986)	(195,001)	(38,012)	(26,577)
Loss After Taxation	(293,089)	(194,406)	(38,012)	(26,577)

The Group recorded revenue of RMB96.1 million in the current quarter, increased by approximately RMB8.6 million or 9.8% from RMB87.5 million in the immediate preceding quarter due to the improved local demand for our products.

The increase in loss before taxation and after taxation is mainly due to the significant impairment on property, plant and equipment. The duck farming segment remained affected by the weak China economy where the duck eggs and duckling prices were still low and below our costs.

3. Prospects for FYE 2016

With the continued weak property market sentiment especially commercial and industrial properties market, coupled by low rental yield on the building and the continuous economy down turn, we anticipate further impairment on our properties and land use rights in FY2016.

Further, the Group foresees that our duck farming segment will remained underperform since the Group embarked on such business which was part of the Group's commitment to establish a front to end business to our customers. The heavy capital commitments on the duck farming segment had drained our Group cash flows and the Group may take further measure to cease this segment if the current weak economy continue to worsen.

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	-	-	-	-



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 2015

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 (0.24%) 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

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 2015 were as follows:

	RMB'000	RM'000
Loans – unsecured*	14,883	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.



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 2015

12. Realised and Unrealised Profit/Losses Disclosure

The retained earnings as at 31 December 2015 and 30 September 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	78,608	52,141	382,477	267,420
- Unrealised	248	165	860	601
Total Group Retained Earnings	78,856	52,306	383,337	268,021

(The rest of this page is intentionally left blank)



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 2015

13. Earning per share

Basic Earning per Share

	Quarter Ended <u>31 Dec 2015</u>	Preceding Year Corresponding Quarter <u>31 Dec 2014</u>	Quarter Ended <u>31 Dec 2015</u>	Preceding Year Corresponding Quarter <u>31 Dec 2014</u>	Year to Date Ended <u>31 Dec 2015</u>	Year to Date Ended <u>31 Dec 2014</u>	Year to Date Ended <u>31 Dec 2015</u>	Year to Date Ended <u>31 Dec 2014</u>
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Loss attributable to - equity holders of the company	(293,089)	(12,312)	(194,406)	(7,025)	(363,139)	(43,469)	(240,870)	(24,806)
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)	(62.62)	(2.63)	(41.54)	(1.50)	(77.59)	(9.29)	(51.47)	(5.30)

By Order of the Board

SHEN HENGBAO
Chief Executive Officer