



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 2016

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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2016

#### 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 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Revenue	32,288	50,243	19,575	30,953	56,260	86,662	34,108	53,390
Cost of sales	(33,363)	(60,655)	(20,226)	(37,368)	(63,166)	(105,175)	(38,294)	(64,795)
Gross loss	(1,075)	(10,412)	(651)	(6,415)	(6,906)	(18,513)	(4,186)	(11,405)
Other operating income	33	694	20	428	76	849	46	523
Selling and distribution expenses	(378)	(234)	(229)	(144)	(625)	(536)	(379)	(330)
General and administrative expenses	(2,739)	(8,853)	(1,661)	(5,454)	(10,781)	(20,309)	(6,536)	(12,512)
Other operating expenses	(638)	-	(387)	-	(1,505)	-	(913)	-
Operating loss	(4,797)	(18,805)	(2,908)	(11,585)	(19,741)	(38,509)	(11,968)	(23,724)
Finance costs	(3,646)	(272)	(2,211)	(167)	(7,004)	(272)	(4,246)	(167)
Loss before taxation	(8,443)	(19,077)	(5,119)	(11,752)	(26,745)	(38,781)	(16,214)	(23,891)
Taxation	-	-	-	-	-	-	-	-
Loss after taxation	(8,443)	(19,077)	(5,119)	(11,752)	(26,745)	(38,781)	(16,214)	(23,891)
Other comprehensive income for the period (net of tax)	-	-	-	-	-	-	-	-
Total comprehensive loss after tax	(8,443)	(19,077)	(5,119)	(11,752)	(26,745)	(38,781)	(16,214)	(23,891)



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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2016

#### 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 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Loss attributable to:-								
- Equity holders of HB	(8,443)	(18,666)	(5,119)	(11,500)	(26,745)	(37,946)	(16,214)	(23,378)
-Non-controlling interest	-	(411)	-	(252)	-	(835)	-	(513)
Total comprehensive income attributable to:-								
- Equity holders of HB	(8,443)	(18,666)	(5,119)	(11,500)	(26,745)	(37,946)	(16,214)	(23,378)
-Non-controlling interest	-	(411)	-	(252)	-	(835)	-	(513)
Earning Per Share *								
- Basic (RMB cents/ sen)	(1.80)	(4.07)	(1.09)	(2.51)	(5.71)	(8.28)	(3.46)	(5.10)
- 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: RM0.6063 at 30 June 2016 and : RM0.6161 at 30 June 2015 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 2016

#### Condensed Consolidated Statements of Financial Positions

	Unaudited As at 30 June 2016	Audited As at 31 Dec 2015	Unaudited As at 30 June 2016	Audited As at 31 Dec 2015
	RMB'000	RMB'000	RM'000	RM'000
<b>Non-Current Assets</b>				
Property, plant and equipment	231,192	240,582	140,160	159,164
Construction in progress	72,911	72,911	44,202	48,236
Biological assets	1,992	2,487	1,208	1,645
Intangible assets	65,523	65,523	39,723	43,349
	371,618	381,503	225,293	252,394
<b>Current Assets</b>				
Inventories	20,317	8,741	12,317	5,783
Trade and other receivables	12,362	15,609	7,495	10,326
Prepayment for land use right	61,348	61,348	37,192	40,587
Cash and bank balance	26,813	700	16,255	463
	120,840	86,398	73,259	57,159
<b>TOTAL ASSETS</b>	492,458	467,901	298,552	309,553
<b>Capital and Reserves</b>				
Share capital	146,161	146,161	88,610	96,697
Reserves	66,831	66,831	40,516	44,214
Retained earnings	68,961	95,706	41,808	63,317
Non-controlling interest	404	404	245	267
<b>Total Equity</b>	282,357	309,102	171,179	204,495
<b>Non-Current Liabilities</b>				
Borrowings	14,883	14,883	9,023	9,846
<b>Current Liabilities</b>				
Trade payables and other payables	138,072	117,170	83,706	77,517
Income tax liabilities	-	-	-	-
Amount due to ex-shareholders	2,742	2,742	1,662	1,814
Amount due to director	25,404	24,004	15,401	15,881
Short-term loan	29,000	-	17,581	-
	195,218	143,916	118,350	95,212
<b>Total Liabilities</b>	210,101	158,799	127,373	105,058
<b>TOTAL EQUITY AND LIABILITIES</b>	492,458	467,901	298,552	309,553
Net asset per share attributable to equity holders of the Company (RMB / RM) <sup>(1)</sup>	0.60	0.66	0.37	0.44

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 2016 and 31 December 2015 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: RM0.6063 at 30 June 2016 and 1: RM0.6616 at 31 December 2015 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 2016

#### Unaudited Condensed Consolidated Statements Of Changes In Equity

6 months ended 30 June 2016	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 2016	146,161	59,246	7,585	95,706	404	309,102
Total comprehensive income for the period	-	-	-	(26,745)	-	(26,745)
Transfer to minority interest	-	-	-	-	-	-
At 30 June 2016	<u>146,161</u>	<u>59,246</u>	<u>7,585</u>	<u>68,961</u>	<u>404</u>	<u>282,357</u>

6 months ended 30 June 2016	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 2016	88,610	35,918	4,598	58,022	245	187,393
Total comprehensive income for the period	-	-	-	(16,214)	-	(16,214)
Transfer to minority interest	-	-	-	-	-	-
At 30 June 2016	<u>88,610</u>	<u>35,918</u>	<u>4,598</u>	<u>41,808</u>	<u>245</u>	<u>171,179</u>

Note:

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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2016

#### Unaudited Condensed Consolidated Statements Of Changes In Equity (continue)

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	Non- controlling 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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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2016

#### Unaudited Condensed Consolidated Statements Of Cash Flow

	As at 30 June 2016	As at 31 December 2015	As at 30 June 2016	As at 31 December 2015
	RMB'000	RMB'000	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss before income tax	(26,745)	(370,768)	(16,214)	(245,930)
Adjustments for:				
Depreciation	9,390	25,908	5,693	17,185
Amortisation	495	2,543	300	1,687
Impairment loss on property, plant and equipment, construction in progress and intangible assets	-	257,966	-	171,109
Impairment loss on property, plant and equipment, construction in progress and intangible assets written back	-	(21,793)	-	(14,455)
Inventories written down	-	1,846	-	1,224
Biological assets written off	-	162	-	107
Gain on fair value of biological assets	-	(976)	-	(647)
Interest income	-	(78)	-	(52)
Interest expense	-	4,753	-	3,153
<b>OPERATING LOSS BEFORE WORKING CAPITAL CHANGES</b>	(16,860)	(100,437)	(10,221)	(66,619)
In inventories	(11,576)	1,260	(7,018)	836
In trade and other receivables	3,247	2,779	1,968	1,843
In trade and other payables	20,902	664	12,672	440
<b>Cash from operations</b>	(4,287)	(95,734)	(2,599)	(63,500)
Income tax paid	-	532	-	353
Interest received	-	78	-	52
<b>Net cash used in operating activities</b>	(4,287)	(95,124)	(2,599)	(63,095)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Addition of property, plant and equipment	-	(13)	-	(9)
Increase in biological assets	-	(1,000)	-	(663)
<b>Net cash used in investing activities</b>	-	(1,013)	(2,599)	(672)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Advance from director	1,400	-	849	-
Borrow from shareholder	-	-	-	-
Repayment of borrowings from a shareholder	-	(4,035)	-	(2,676)
Loan from third parties	-	100,000	-	66,330
Interest expenses	-	(3,906)	-	(2,591)
Proceeds from borrowing from a director	-	(662)	-	(439)
Drawdown form short-term loan	29,000	-	17,581	-
<b>Net cash generated from financing activities</b>	30,400	91,397	18,430	60,624
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	26,113	(4,740)	15,831	(3,143)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>	700	5,440	424	3,608
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	26,813	700	16,255	465

Note:

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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2016

#### A. **SELECTED EXPLANATORY NOTES TO THE UNAUDITED FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2016**

##### 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 2015 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 2016.

###### 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 2015 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.

##### 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**

<b>Financial Year Ended 30 June 2016</b>					
	<b><u>Ready-to- serve Food</u></b> RMB'000	<b><u>Frozen Vegetables</u></b> RMB'000	<b><u>Duck Farming</u></b> RMB'000	<b><u>Others</u></b> RMB'000	<b><u>Total</u></b> RMB'000
Revenue	25,428	10,302	5,714	14,816	56,260
<b>Segment results</b>	859	1,689	(10,032)	578	(6,906)
Other income					76
Unallocated costs					(12,911)
Finance expenses					(7,004)
Loss before income tax					(26,745)
Income tax expense					-
<b>Loss for the period</b>					<b>(26,745)</b>
<b>Other segment information:</b>					
Depreciation and amortisation					9,885
Capital expenditures					-

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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2016

#### 8. Segment information (continue)

<b>Financial Period Ended 30 June 2016</b>					
	<b><u>Ready-to-serve Food</u></b> RM'000	<b><u>Frozen Vegetables</u></b> RM'000	<b><u>Duck Farming</u></b> RM'000	<b><u>Others</u></b> RM'000	<b><u>Total</u></b> RM'000
Revenue	15,416	6,246	3,464	8,982	34,108
<b>Segment results</b>	521	1,024	(6,081)	350	(4,186)
Other income					46
Unallocated costs					(7,828)
Finance expenses					(4,246)
Loss before income tax					(16,214)
Income tax expense					-
<b>Loss for the period</b>					<b>(16,214)</b>
<b>Other segment information:</b>					
Depreciation and amortisation					5,993
Capital expenditures					-

Note:

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<b>Financial Year Ended 30 June 2015</b>					
	<b><u>Ready-to-serve Food</u></b> RMB'000	<b><u>Frozen Vegetables</u></b> RMB'000	<b><u>Duck Farming</u></b> RMB'000	<b><u>Others</u></b> RMB'000	<b><u>Total</u></b> RMB'000
Revenue	78,734	6,375	-	1,553	86,662
<b>Segment results</b>	(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					-
<b>Loss for the period</b>					<b>(38,781)</b>
<b>Other segment information:</b>					
Depreciation and amortisation					10,952
Capital expenditures					3,792



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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2016

#### 8. Segment information (continue)

<b>Financial Year Ended 30 June 2015</b>					
	<b><u>Ready-to- serve Food</u></b> RM'000	<b><u>Frozen Vegetables</u></b> RM'000	<b><u>Duck Farming</u></b> RM'000	<b><u>Others</u></b> RM'000	<b><u>Total</u></b> RM'000
Revenue	48,506	3,927	-	957	53,390
<b>Segment results</b>	(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					-
<b>Loss for the period</b>					<b>(23,891)</b>
<b>Other segment information:</b>					
Depreciation and amortisation					6,747
Capital expenditures					2,336

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

One of the immediate subsidiary namely HB Food (S) Pte Ltd and its subsidiary namely Houz Best Food (M) Sdn Bhd being struck off and in the process of striking off during financial year ended 31 December 2015. Additional of 10% shareholding for one subsidiary namely Juxian Hengbao Farming Co., Ltd to become 100% own subsidiary.

#### 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 did not acquired any additional non-current assets during the quarter under review.



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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2016

#### 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	52,720	31,962
Construction of Feedstock plant	30,000	18,188
Power station, compressor and cabling	9,531	5,778

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	459	279	918	558
Post employment benefits	-	-	-	-

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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2016

#### **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 RMB30.4 million or approximately 35.0% from RMB86.7 million in financial period ended 30 June 2015 (“FPE2015”) to RMB56.3 million in financial period ended 30 June 2016 (“FPE2016”). The decrease was mainly due to decrease in sales of our RTS products. The decrease in sales of RTS products was mainly attributable pricing issues and competitions from other countries like Thailand.

Gross Loss (“GL”) margin decreased from 21.3% for FPE2015 to Gross Loss margin of 12.2% for FPE2016. This was mainly attributable to the reducing of gross loss for duck farming segment as a result of absorbing substantial fixed costs and having light margin of gross profits for our RTS products. Gross profit margin for RTS Foods from gross loss of 9.1% for FPE2015 to a gross profit margin of 3.3% for FPE2016 was mainly due to more demand from local customers with no currency risk and better pricing of our export market for the current quarter. Other operating income decreased by RMB0.7 million in FPE2016 which was mainly attributable to the high fluctuation of RMB during FYE2015. The current period other operating income was mainly unrealized exchange gain arising in oversea holding company.

Selling and distribution expenses slightly increased by RMB0.1 million in FPE2016 as a result of increase transport charges incurred for the period under review due to general inflation of costs in China. General and administration expenses decreased by RMB9.5 million in FPE2016 was mainly due to decrease in staffs salaries and related cost for an approximately RMB2.4 million, decrease in rental of land of RMB2.9 million, the decreased of RMB0.9million in water and electricity charges and other expenses for an accumulated amount of RMB3.3million. Other operating expense increased was mainly due unrealized loss of exchange difference for oversea holding company. Net Loss before taxation of RMB26.7 million in FPE2016 as compare to Net Loss before taxation of RMB38.8 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 no 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.

Group policies is to keep inventories at a minimum stock level and to in line with the order received, inventories increased to RMB20.3million as compared to RMB8.7 million in FPE2015. Trade receivables decreased by RMB3.2 million from RMB15.6 million in FPE2015 to RMB12.4 million in FPE2016 due to lower demand of our products during the quarter under review. Trade payables increased from RMB117.2 in FPE2015 to RMB138.1 million in FPE2016 was mainly due to the extended payment term with our suppliers and increase purchases in the current quarter.

There is a short term borrowing for an amount of RMB29.0 million drawn down from the bank for working capital purposes during the period under review.

###### **Review of Cash Flow Statement**

Net cash used in operating activities decreased by RMB90.8 million from net cash used of RMB95.7 million for FPE2015 to RMB4.3 million in FPE2016. The decrement was mainly due to the net losses occurred during the period.

Net cash used in investing activities decreased by RMB1.0 million in FPE2016 was mainly due to no investment activities during the period. Net cash generated from financing activities decreased from RMB91.4 million in FPE2015 to RMB30.4 million in FPE2016 was mainly due to decrease in borrowing for working capital purposes.



## HB Global Limited

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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2016

#### 2. Variation of results against immediate preceding quarter

	Current Quarter 30 June 2016		Preceding Quarter 31 Mar 2016	
	RMB'000	RM'000	RMB'000	RM'000
Revenue	32,288	19,575	23,972	14,582
(Loss) Before Taxation	(8,443)	(5,119)	(18,302)	(11,133)
(Loss) After Taxation	(8,443)	(5,119)	(18,302)	(11,133)

The Group recorded revenue of RMB32.3 million in the current quarter, increased by approximately RMB8.3 million or 34.5% from RMB24.0 million in the immediate preceding quarter due to the demand for our frozen vegetable products from local and overseas market increased in current quarter.

The Loss before taxation and after taxation decrease is mainly due to the losses incurred by the duck farming segment reduced and the slightly better selling price of our RTS products during the current quarter.

#### 3. Prospects for FYE 2016

With the continued slow economy in China and globally, the management had taken drastic measures in the interest of the Group to cease the duck farming segment with effect from July 2016 and return to its core focus in RTS segment which is poised to grow and the management is confident that over time, the Group should return to normalcy. The management expects another heavy impairment on assets in its books by end of year due to the continued slow economy in China.

#### 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.

#### 6. Sales of unquoted investment / properties

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



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#### 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 30 June 2016 were as follows:

	RMB'000	RM'000
Loans – unsecured*	14,883	9,023
Short-term Loan - unsecured	29,000	-

#### 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 2016 and 31 March 2016 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	68,323	258,967	76,537	46,558
- Unrealised	638	337	867	527
Total Group Retained Earnings	68,961	259,304	77,404	47,085



恒宝环球

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR  
THE SECOND QUARTER ENDED 30 JUNE 2016

**13. Earning per share**

*Basic Earning per Share*

	<b>Quarter Ended</b>	<b>Preceding Year</b>	<b>Quarter</b>	<b>Preceding Year</b>	<b>Year to Date</b>	<b>Year to Date</b>	<b>Year to Date</b>	<b>Year to Date</b>
	<b>30 Jun 2016</b>	<b>Corresponding</b>	<b>Ended</b>	<b>Corresponding</b>	<b>Ended</b>	<b>Ended</b>	<b>Ended</b>	<b>Ended</b>
	<b>30 Jun 2016</b>	<b>Quarter</b>	<b>30 Jun 2016</b>	<b>Quarter</b>	<b>30 Jun 2016</b>	<b>30 Jun 2015</b>	<b>30 Jun 2016</b>	<b>30 Jun 2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RM'000</b>	<b>RM'000</b>
Loss attributable to - equity holders of the company	(8,443)	(19,077)	(5,119)	(11,752)	(26,745)	(38,781)	(16,214)	(23,891)
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 (cents/ sen)	(1.80)	(4.08)	(1.09)	(2.51)	(5.71)	(8.29)	(3.46)	(5.10)

By Order of the Board

SHEN HENGBAO  
Chief Executive Officer