



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 2016

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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016

#### Unaudited Condensed Consolidated Statement Of Comprehensive Income

	Quarter Ended <u>31 December</u> <u>2016</u>	Preceding Year Corresponding Quarter <u>31 December</u> <u>2015</u>	Quarter Ended <u>31 December</u> <u>2016</u>	Preceding Year Corresponding Quarter <u>31 December</u> <u>2015</u>	Year to Date Ended <u>31 December</u> <u>2016</u>	Year to Date Ended <u>31 December</u> <u>2015</u>	Year to Date Ended <u>31 December</u> <u>2016</u>	Year to Date Ended <u>31 December</u> <u>2015</u>
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Revenue	46,687	96,115	30,113	63,754	145,154	270,238	93,624	178,789
Cost of sales	(32,465)	(140,417)	(20,940)	(93,138)	(131,187)	(362,335)	(84,616)	(239,720)
Gross profit/(loss)	14,222	(44,302)	9,173	(29,384)	13,967	(92,097)	9,008	(60,931)
Other operating income	1,679	22,618	1,083	15,002	3,148	23,985	2,030	15,868
Selling and distribution expenses	(1,343)	(818)	(866)	(543)	(2,269)	(1,620)	(1,464)	(1,072)
General and administrative expenses	(12,685)	(8,641)	(8,182)	(5,732)	(27,650)	(36,059)	(17,834)	(23,857)
Other operating expenses	(373)	(259,514)	(241)	(172,136)	(1,878)	(260,224)	(1,211)	(172,164)
Operating profit/(loss)	1,500	(290,657)	967	(192,793)	(14,682)	(366,015)	(9,471)	(242,156)
Finance costs	(5,847)	(3,329)	(3,771)	(2,208)	(15,219)	(4,753)	(9,816)	(3,144)
Loss before taxation	(4,347)	(293,986)	(2,804)	(195,001)	(29,901)	(370,768)	(19,287)	(245,300)
Taxation	-	897	-	595	-	897	-	593
Loss after taxation	(4,347)	(293,089)	(2,804)	(194,406)	(29,901)	(369,871)	(19,287)	(244,707)
Other comprehensive income for the period (net of tax)	-	-	-	-	-	-	-	-
Total comprehensive income after tax	(4,347)	(293,089)	(2,804)	(194,406)	(29,901)	(369,871)	(19,287)	(244,707)



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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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
	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Loss attributable to:-								
- Equity holders of HB	(4,347)	(293,089)	(2,804)	(194,406)	(29,901)	(363,130)	(19,287)	(240,247)
-Non-controlling interest	-	-	-	-	-	(6,741)	-	(4,460)
Total comprehensive income attributable to:-								
- Equity holders of HB	(4,347)	(293,089)	(2,804)	(194,406)	(29,901)	(363,130)	(19,287)	(240,247)
-Non-controlling interest	-	-	-	-	-	(6,741)	-	(4,460)
Earning Per Share *								
- Basic (RMB cents/ sen)	(0.93)	(62.63)	(0.60)	(41.54)	(6.39)	(77.59)	(4.12)	(51.33)
- 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: RM0.6450 at 31 December 2016 and RMB1 : 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 FOURTH QUARTER ENDED 31 DECEMBER 2016

#### Condensed Consolidated Statements of Financial Positions

	Unaudited As at 31 Dec 2016	Audited As at 31 Dec 2015	Unaudited As at 31 Dec 2016	Audited As at 31 Dec 2015
	RMB'000	RMB'000	RM'000	RM'000
<b>Non-Current Assets</b>				
Property, plant and equipment	234,259	240,582	151,100	159,164
Construction in progress	72,911	72,911	47,028	48,236
Biological assets	-	2,487	-	1,645
Intangible assets	64,187	65,523	41,401	43,349
	371,357	381,503	239,529	252,394
<b>Current Assets</b>				
Inventories	5,896	8,741	3,803	5,783
Trade and other receivables	23,189	15,609	14,957	10,326
Prepayment for land use right	61,498	61,348	39,677	40,587
Cash and bank balance	10,117	700	6,526	463
	100,702	86,398	64,954	57,159
<b>TOTAL ASSETS</b>	472,059	467,901	304,483	309,553
<b>Capital and Reserves</b>				
Share capital	146,161	146,161	94,274	96,697
Reserve	66,831	66,831	43,107	44,214
Non-controlling interest	404	404	261	267
Retained profit	65,805	95,706	42,445	63,317
<b>Total Equity</b>	279,201	309,102	180,087	204,495
<b>Non-Current Liabilities</b>				
Borrowings	15,626	14,883	10,079	9,846
	15,626	14,883	10,079	10,536
<b>Current Liabilities</b>				
Trade and other payables	45,386	117,170	29,275	77,517
Income tax liabilities	-	-	-	-
Amount due to ex-shareholder	2,742	2,742	1,769	1,814
Amount due to director	21,604	24,004	13,935	15,881
Short-term loan	107,500	-	69,338	-
	177,232	143,916	114,317	95,212
<b>Total Liabilities</b>	192,858	158,799	124,395	105,058
<b>TOTAL EQUITY AND LIABILITIES</b>	472,059	467,901	304,483	309,553
Net asset per share attributable to equity holders of the Company (RMB / RM) <sup>(i)</sup>	0.60	0.66	0.38	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 31 December 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: RM0.6450 at 31 December 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 FOURTH QUARTER ENDED 31 DECEMBER 2016

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

<b>12 months ended 31 December 2016</b>	<b>Share capital</b>	<b>Capital Reserves</b>	<b>Statutory reserves</b>	<b>Fair value adjustment s reserves</b>	<b>Retained earnings</b>	<b>Non- controlling interest</b>	<b>Total equity</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
At 1 January 2016	146,161	(16,844)	76,090	7,585	95,706	404	309,102
Total comprehensive income for the period	-	-	-	-	(29,901)	-	(29,901)
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-
At 31 December 2016	<u>146,161</u>	<u>(16,844)</u>	<u>76,090</u>	<u>7,585</u>	<u>65,805</u>	<u>404</u>	<u>279,201</u>

<b>12 months ended 31 December 2016</b>	<b>Share capital</b>	<b>Capital Reserves</b>	<b>Statutory reserves</b>	<b>Fair value adjustment s reserves</b>	<b>Retained earnings</b>	<b>Non- controlling interest</b>	<b>Total equity</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January 2016	94,274	(10,864)	49,079	4,892	61,731	261	199,373
Total comprehensive income for the period	-	-	-	-	(19,286)	-	(19,286)
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-
At 31 December 2016	<u>94,274</u>	<u>(10,864)</u>	<u>49,079</u>	<u>4,892</u>	<u>42,445</u>	<u>261</u>	<u>180,087</u>

Note:

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR  
THE FOURTH QUARTER ENDED 31 DECEMBER 2016

Unaudited Condensed Consolidated Statements Of Changes In Equity (continue)

<b>12 months ended 31 December 2015</b>	<b>Share capital</b>	<b>Capital Reserves</b>	<b>Statutory reserves</b>	<b>Fair value adjustment s reserves</b>	<b>Retained earnings</b>	<b>Non- controlling interest</b>	<b>Total equity</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
At 1 January 2015	146,161	-	76,090	8,237	458,836	(9,499)	679,825
Total comprehensive income for the period	-	-	-	(652)	(363,130)	(6,741)	(370,523)
Acquisition of additional interest in a subsidiary	-	(16,844)	-	-	-	16,644	(200)
At 31 December 2015	<u>146,161</u>	<u>(16,844)</u>	<u>76,090</u>	<u>7,585</u>	<u>95,706</u>	<u>404</u>	<u>309,102</u>

<b>12 months ended 31 December 2015</b>	<b>Share capital</b>	<b>Capital Reserves</b>	<b>Statutory reserves</b>	<b>Fair value adjustment s reserves</b>	<b>Retained earnings</b>	<b>Non- controlling interest</b>	<b>Total equity</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January 2015	96,697	-	50,340	5,449	303,564	(6,285)	449,765
Total comprehensive income for the period	-	-	-	(431)	(240,247)	(4,460)	(245,138)
Acquisition of additional interest in a subsidiary	-	(11,144)	-	-	-	11,012	(132)
At 31 December 2015	<u>96,697</u>	<u>(11,144)</u>	<u>50,340</u>	<u>5,018</u>	<u>63,317</u>	<u>267</u>	<u>204,495</u>

Note:

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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016

#### Unaudited Condensed Consolidated Statements Of Cash Flow

	As at 31 December 2016 RMB'000	As at 31 December 2015 RMB'000	As at 31 December 2016 RM'000	As at 31 December 2015 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss before income tax	(29,901)	(370,768)	(19,287)	(245,300)
Adjustments for:				
Depreciation	14,823	25,908	9,561	17,141
Amortisation of intangible assets		2,543		1,682
Impairment loss on advance payments of land use rights, property, plant and equipment, construction in progress and intangible assets	2,679	257,966	1,728	170,670
Impairment loss on property, plant and equipment, construction in progress and intangible assets written back	(1,343)	(21,793)	(866)	(14,418)
Inventories written off	-	1,846	-	1,221
Biological assets written off	2,487	162	1,604	107
Gain on fair value of biological assets	-	(976)	-	(645)
Interest income	(2)	(78)	(1)	(52)
Interest expense	15,221	4,753	9,818	3,145
<b>OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES</b>	3,964	(100,437)	2,557	(66,449)
In inventories	2,845	1,260	1,835	834
In trade and other receivables	(7,732)	2,779	(4,987)	1,839
In trade and other payables	(71,784)	664	(46,300)	439
<b>Cash from operations</b>	(72,707)	(95,734)	(46,895)	(63,337)
Interest received	2	78	1	52
Income taxes refunded	-	532	-	352
<b>Net cash used in operating activities</b>	(72,705)	(95,124)	(46,894)	(62,933)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Addition of property, plant and equipment and payment for CIP	(8,500)	(13)	(5,483)	(9)
Increase in biological assets	-	(1,000)	-	(662)
Payment of construction in progress	-	-	-	-
<b>Net cash used in investing activities</b>	(8,500)	(1,013)	(5,483)	(671)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment to director	(2,400)	(662)	(1,548)	(438)
Proceeds from/(repayment of) loan from an ex- shareholder	743	(4,035)	479	(2,670)
Loan from third parties	-	100,000	-	66,160
Interest expense	(15,221)	(3,906)	(9,818)	(2,584)
Drawdown from short-term loan	107,500	-	69,338	-
<b>Net cash generated from financing activities</b>	90,622	91,397	58,451	60,468
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	9,417	(4,740)	6,074	(3,136)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>	700	5,440	451	3,599
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	10,117	700	6,525	463

Note:

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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016

#### A. SELECTED EXPLANATORY NOTES TO THE UNAUDITED FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 September 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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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016

#### 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><u>Financial Period Ended 31 December 2016</u></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	53,524	55,702	6,401	29,527	145,154
<b>Segment results</b>	7,661	16,663	(13,535)	3,178	13,967
Other income					3,148
Unallocated costs					(31,797)
Finance expenses					(15,219)
Loss before income tax					(29,901)
Income tax expense					-
<b>Loss for the period</b>					<b>(29,901)</b>
<b>Other segment information:</b>					
Depreciation and amortisation					14,823
Capital expenditures					8,500

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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016

#### 8. Segment information (continue)

<b>Financial Period Ended 31 December 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	34,523	35,928	4,128	19,045	93,624
<b>Segment results</b>	4,941	10,748	(8,730)	2,049	9,008
Other income					2,030
Unallocated costs					(20,509)
Finance expenses					(9,816)
Loss before income tax					(19,287)
Income tax expense					-
<b>Loss for the period</b>					<b>(19,287)</b>
<b>Other segment information:</b>					
Depreciation and amortisation					9,561
Capital expenditures					5,483

Note:

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<b>Financial Period Ended 31 December 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	252,305	14,700	554	2,679	270,238
<b>Segment results</b>	(66,513)	(2,623)	(23,232)	271	(92,097)
Other income					23,985
Unallocated costs					(297,903)
Finance expenses					(4,753)
Loss before income tax					(370,768)
Income tax expense					897
<b>Loss for the period</b>					<b>(369,871)</b>
<b>Other segment information:</b>					
Depreciation and amortisation					28,451
Capital expenditures					13



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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016

#### 8. Segment information (continue)

	<b>Financial Period Ended 31 December 2015</b>				<b>Total</b> RM'000
	<b>Ready-to-serve Food</b> RM'000	<b>Frozen Vegetables</b> RM'000	<b>Duck Farming</b> RM'000	<b>Others</b> RM'000	
Revenue	166,925	9,726	366	1,772	178,789
<b>Segment results</b>	(44,005)	(1,735)	(15,370)	179	(60,931)
Other income					15,868
Unallocated costs					(197,093)
Finance expenses					(3,144)
Loss before income tax					(245,300)
Income tax expense					593
<b>Loss for the period</b>					<b>(244,707)</b>
<b>Other segment information:</b>					
Depreciation and amortisation					18,823
Capital expenditures					9

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

There is no changes in the composition of the Group.

#### 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 RMB8.5 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	52,720	34,004
Construction of Feedstock plant	30,000	19,350
Power station, compressor and cabling	9,531	6,147

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	1,836	1,184
Post employment benefits	-	-	-	-

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#### **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 RMB125.0 million or approximately 46.3% from RMB270.2 million in financial year ended 31 December 2015 (“FYE2015”) to RMB145.2 million in financial year ended 31 December 2016 (“FYE2016”). 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 depreciation of Japanese Yen against Chinese RMB and the weak China economy sentiment on local market.

The Group has improved its Gross Profit (“GP”) margin from a negative 34.1% in FYE2015 to a positive 9.6% in FYE2016. This has marked an improvement since the Group ceased the duck farming segment in July 2016, focussing its resources on profitable RTS segment, albeit the low margin yet profitable as compared to the duck farming which was running at a gross loss in prior year.

Other operating income decreased by RMB20.9 million from RMB24.0 million in FYE2015 to RMB3.1 million in FYE2016. Included in other operating income for FYE2015 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 FYE2016, other operating income included reversal of impairment on property, plant and equipment of RMB1.3 million and exchange gain of RMB0.9 million, rental income of RMB0.5 million and other revenues of RMB0.4 million.

Selling and distribution expenses increased by RMB0.7 million in FYE2016 as a result of higher transportation and freight charges, travelling expenses and marketing fees incurred as the Group explored new customers and visited local customers.

General and administration expenses had decreased by RMB8.4 million in FYE2016 mainly due to the decrease in staff salaries and related expenses of RMB4.2 million, water and electricity of RMB2.2 million, Tokyo office expenses of RMB0.5 million and other general expense in FYE2016 as a result of cost cutting measures undertaken by the Group.

Other operating expenses decreased by RMB258.3 million in FYE2016 is mainly due to the 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 in FYE2015 and no major impairment was noted in FYE2016.

The significant decrease in net loss before taxation of RMB340.8 million in FY2016 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 and other production facilities. The decrease in investment of biological assets in FYE2016 was due to disposal of ducks and cessation of duck farming business since July 2016.

The decrease in inventories of RMB1.98 million from FYE2016 is mainly due to the cessation of duck farming business. Trade receivables increased by RMB7.5 million from RMB15.6 million in FYE2015 to RMB23.2 million in FYE2016 is mainly due to the demand of our products were mostly local market where no advanced payment received as compared to export market. Trade and other payables decreased was mainly due to the advance by our customers amounting to RMB100.0 million in FY2015 which is fully paid off and secure loan from local bank which classified as short term borrowing in FY2016 and longer term of repayment to suppliers.



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#### Review of Cash Flow Statement

Net cash used in operating activities decreased in FYE2016 by approximately RMB23.0 million was mainly due to the reduction of significant losses incurred during the FYE216 and the extended repayment period to trade and other payables.

Net cash used in investing activities increased by RMB7.4 million from RMB1.1 million in FYE2015 to RMB8.5 million in FYE2016. Although the Group has suspended the investment activities in duck farming segment but water treatment and cleaning of ponds were incurred for RMB4.0 million during the year. Also there were additional production facilities acquired to meet the growing volume in our frozen vegetable products.

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

	Current Quarter 31 December 2016		Preceding Quarter 30 September 2016	
	RMB'000	RM'000	RMB'000	RM'000
Revenue	46,687	30,113	42,207	26,048
Profit/(loss) before taxation	(4,347)	(2,804)	1,190	734
Profit/(loss) after taxation	(4,347)	(2,804)	1,190	734

The Group recorded revenue of RMB46.7 million in the current quarter, increased by approximately RMB4.4 million or 10.4% from RMB42.2 million in the immediate preceding quarter due to the improved local demand for our frozen vegetable products.

The increase in loss before taxation and after taxation is mainly due to the impairment on property, plant and equipment and director's remuneration charged for the current quarter.

#### 3. Prospects for FYE 2016

Since the cessation of our duck farming segment in July 2016, the Group has shown improved results and signs of turnaround. The demand for healthier products in the frozen vegetable segment are seen as growth area albeit the low margin for such product. RTS products which contain duck meat may be hampered by new string of bird flu, although the Group has stringent control over its products' quality. The Group will focus on its traditional strength which lies in the RTS and frozen vegetable segments in the hope for turnaround. Bearing any unforeseen circumstances, the Group hopes to be in much better position as each year moves forward.

#### 4. Profit forecast

The Group does not have any profit forecast or guarantee in the public documents.



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#### 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 Nil as compared to the applicable tax rate of 25.0% due to permanent difference in the tax treatment of expenses that are not deductible under China tax.

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

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

#### 7. Purchase or disposal of quoted securities

There was no purchase or disposal of quoted securities for the current financial quarter and financial year-to-date.

#### 8. Status of utilization of proceeds

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 2016 were as follows:

	RMB'000	RM'000
Loans – unsecured*	15,626	9,599
Short-term Loan – unsecured	37,000	23,865
Short-term Loan – secured®	70,500	45,473

##### 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.

##### Short-term Loan – secured®

The subsidiary company entered into several short-term agreements with several local banks for a total amount of RMB70.5million loan and are secured by pledging of few pieces of land use rights.



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#### 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 31 December 2016 and 30 September 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	64,834	41,817	68,766	42,440
- Unrealised	971	626	1,385	855
Total Group Retained Earnings	65,805	42,443	70,151	43,295

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**13. Earning per share**

*Basic Earning per Share*

	Quarter Ended <u>31 Dec 2016</u>	Preceding Year Corresponding Quarter <u>31 Dec 2015</u>	Quarter Ended <u>31 Dec 2016</u>	Preceding Year Corresponding Quarter <u>31 Dec 2015</u>	Year to Date Ended <u>31 Dec 2016</u>	Year to Date Ended <u>31 Dec 2015</u>	Year to Date Ended <u>31 Dec 2016</u>	Year to Date Ended <u>31 Dec 2015</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	(4,347)	(293,089)	(2,804)	(194,406)	(29,901)	(363,130)	(19,287)	(240,247)
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)	(0.93)	(62.63)	(0.60)	(41.54)	(6.39)	(77.59)	(4.12)	(51.33)

By Order of the Board

SHEN HENGBAO  
Chief Executive Officer