

HB GLOBAL LIMITED



ANNUAL REPORT 2015



(Company Registration No.:200608505W)
(Incorporated in Singapore under the Companies Act (Chapter 50) of Singapore)
(Malaysian Foreign Company Registration No.: 995221-H)
(Registered as a foreign company in Malaysia under the Companies Act, 1965 of Malaysia)

CONTENTS

2	Corporate Information
3	Board of Directors' Profiles
6	Group Chief Executive Officer's Statement
8	Corporate Sustainability Statement
9	Corporate Governance Statement
18	Audit Committee Report
22	Risk Management and Internal Control Statement
24	Other Disclosure Requirements Pursuant to the Listing Requirements of Bursa Securities
26	Directors' Report
29	Statutory Declaration
30	Independent Auditors' Report
32	Statements of Financial Position
33	Consolidated Statement of Comprehensive Income
34	Statements of Changes in Equity
36	Consolidated Statement of Cash Flows
37	Notes to the Financial Statements
85	Group Properties Portfolio
88	Shareholdings Statistics
90	Notice of Annual General Meeting
91	Statement Accompanying Notice of Annual General Meeting Proxy Form





CORPORATE INFORMATION

Board of Directors

Shen Hengbao (申恒宝) – *Chief Executive Officer*
 Meng Xiangzhen (孟祥贞) – *Executive Director*
 Sun Shimin (孙世民) – *Independent Non-Executive Director*
 Yang Chin Shen (杨景升) – *Independent Non-Executive Director*
 Ho Pui Hold (何沛豪) – *Independent Non-Executive Director*

Audit Committee

Yang Chin Shen – *Chairman*
(Independent Non-Executive Director)
 Ho Pui Hold – *Member*
(Independent Non-Executive Director)
 Sun Shimin – *Member*
(Independent Non-Executive Director)

Nomination Committee

Ho Pui Hold – *Chairman*
(Independent Non-Executive Director)
 Yang Chin Shen – *Member*
(Independent Non-Executive Director)
 Sun Shimin – *Member*
(Independent Non-Executive Director)

Remuneration Committee

Sun Shimin – *Chairman*
(Independent Non-Executive Director)
 Shen Hengbao – *Member*
(Chief Executive Officer)
 Yang Chin Shen – *Member*
(Independent Non-Executive Director)

Company Secretary

Ang Kok Siang (*Acting Secretary*)

Agent in Malaysia

Boardroom.com Sdn Bhd (820910-X)
 Suite 10.03, Level 10
 The Gardens South Tower
 Mid Valley City
 Lingkaran Syed Putra
 59200 Kuala Lumpur
 Malaysia

Registered Office in Singapore

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 Republic of Singapore
 Telephone No.: + 65 6222 8008

Registered Office in Malaysia

Suite 10.03, Level 10
 The Gardens South Tower
 Mid Valley City
 Lingkaran Syed Putra
 59200 Kuala Lumpur
 Malaysia
 Telephone No.: + 6 (03) 2279 3080
 Facsimile No.: + 6 (03) 2279 3090

Stock Exchange Listing

Main Market of Bursa Malaysia Securities Berhad
(Listed since 17 December 2010)
 Stock name: HBGLOB
 Stock Code: 5187

Website: www.hbglobal.com.my

Head / Management Office

Weifang Road
 Juxian Industry Garden
 Shandong Province
 PRC
 Telephone No.: + 86 633 617 5066
 Email: hengbao@hengbaofood.com
 Website: www.hengbaofood.com

Auditors

Messrs UHY Lee Seng Chan & Co.
 Public Accountants and Chartered Accountants
 Singapore
 300 Beach Road #34-03/05, 07
 The Concourse, Singapore 199555

Share Registrar in Malaysia

Symphony Share Registrars Sdn Bhd (378993-D)
 Level 6, Symphony House
 Pusat Dagangan Dana 1
 Jalan PJU 1A/46
 47301 Petaling Jaya
 Selangor Darul Ehsan
 Malaysia
 Telephone No.: + 6 (03) 7841 8000
 Facsimile No.: + 6 (03) 7841 8151

Principal Bankers

China Construction Bank Corporation
 (Ju County Branch)
 No. 25, Zhenxin Road
 Ju County Shandong Province
 PRC

Industrial and Commercial Bank of China Limited
 (Ju County Branch)
 No. 102, Fulai Middle Road
 Ju County
 Shandong Province
 PRC



BOARD OF DIRECTORS' PROFILE

Shen Hengbao (申恒宝)

Shen Hengbao, a national of the People's Republic of China ("PRC"), aged 54, was appointed as our Chief Executive Officer on 12 October 2009. He is a member of Remuneration Committee of the Company. He is the founder of our Group and has more than 25 years of experience in the PRC Food and Beverage ("F&B") industry and export business. He has been spearheading the expansion and growth of our Group since the commencement of our Group's business in 2005.

He graduated from Linyi Agricultural Academy in 1982 and obtained a Masters in Business Administration from the Graduate School of the Chinese Academy of Social Sciences in 1998. He also obtained a Masters in Business Administration from the California American University in 2001.

He started his career with Ju County Foreign Trade Company (莒县外贸公司) in 1982 as the head of department of livestock obstetrics. He joined Ju County Foreign Trade Canned Food Factory (莒县外贸罐头厂) as the factory manager in 1990 where he was put in-charge of the day-to-day management. In 1998, he joined Shandong Foodstuffs Import and Export Company (山东食品进出口公司), a provincial level state-owned enterprise based in Qingdao as its deputy general manager in-charge of overseeing and assisting in the management of several state-owned companies in Shandong Province which were engaged in the manufacturing of foodstuffs for export markets, in particular, to Japan.

In 2005, he left Shandong Foodstuffs and founded Rizhao Hengbao together with Meng Xiangzhen and several other individuals. With the sales network and contacts he had accumulated in the course of his career (in particular those with major Japanese F&B companies), he successfully grew Rizhao Hengbao into a well established F&B export company over a short time span.

Meng Xiangzhen (孟祥贞)

Meng Xiangzhen, a national of PRC, aged 49, was appointed as our Executive Director on 12 October 2009. She graduated with a degree in accounting from the Shandong Economics Academy (山东经济学院) in 1986.

She co-founded the Group with Shen Hengbao and has more than 20 years of experience in the PRC F&B industry and export business. She started her career as an accountant with Ju County Foreign Frozen Foodstuffs Factory in 1986. In 1989, she joined Ju County Shanfu Foodstuffs Co., Ltd. (莒县山孚食品有限公司) as the head of the accounts department. In 1998, she joined Shandong Foodstuffs Import and Export Company (山东食品进出口公司) as the head of the company's accounts department. In 1999, she re-joined Shanfu Foodstuffs as its deputy general manager where she established an invaluable network of contacts in the F&B industry, and gained valuable experience in managing F&B operations.

As our Executive Director, her main responsibilities include overseeing the day-to-day operations of Rizhao Hengbao.



BOARD OF DIRECTORS' PROFILE (cont'd)

Sun Shimin (孙世民)

Professor Sun Shimin, a national of PRC, aged 54, was appointed as our Independent Non-Executive Director on 12 October 2009. He is the Chairman of the Remuneration Committee and a member of Audit Committee and Nomination Committee of the Company. He obtained a Master in Engineering Project Management in 1996 from the College of Mechanical and Electronic Engineering of Shandong Agricultural University and subsequently in 2003, obtained a Doctorate in Economics and Management from China Agricultural University.

He has more than 25 years of lecturing and research experience in the agricultural field. He started his career in 1980 as an agricultural mechanisation and automation research assistant at the College of Mechanical and Electronic Engineering of Shandong Agricultural University and was a Researcher specialising in agricultural mechanisation from 1984 to 1996.

From 1996 to 2003, he was an assistant lecturer at the College of Economics and Management of China Agricultural University. He is currently a lecturer at the College of Economics and Management of China Agricultural University.

Yang Chin Shen (杨景升)

Yang Chin Shen, a Malaysian, aged 39, was appointed as the Independent Non-Executive Director on 3 March 2014. He is the Chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee of the Company. He is a Practicing Member of the Institute of Singapore Chartered Accountants ("ISCA"), and also a member of the Malaysia Institute of Accountants (MIA) and holds a Bachelor of Business in Accountancy from Queensland University of Technology, Australia (with Distinction).

He has over 16 years of international audit experience including 10 years with the Big Four firms in Malaysia, Singapore and USA, and 6 years with small and mid-sized firms.

He brings along extensive experiences in servicing both multinationals and local companies in wide variety of industries such as property developers, hotels, real estate investment trusts, credit cards, retail, semiconductor, investment companies, retail malls, manufacturing, construction, hospitals, plantations, steel mills, education, statutory board, software, trading, logistics, shipping and leasing.



BOARD OF DIRECTORS' PROFILE (cont'd)

Ho Pui Hold (何沛豪)

Ho Pui Hold, a Malaysian, aged 34, was appointed as Independent Non-Executive Director on 18 September 2015. He is the Chairman of the Nomination Committee and a member of the Audit Committee of the Company. He is an Accountant by profession, a fellow member of the Association of Chartered Certified Accountants (FCCA), United Kingdom and a member of Malaysian Institute of Accountants (MIA).

Mr Ho has accumulated more than 11 years of working experience in the accounting, auditing and banking industry. He has close to 3 years of auditing experience with Ernst & Young, servicing the public listed companies and privately owned companies of the firm. Thereafter, he joined Ambank (M) Berhad-Corporate and Institutional Banking and spent close to 3 years in the banking industry. He was the Chief Financial Officer of HB Global Limited from January 2012 to 3 September 2013.

Mr Ho is a director of Weng Heng Loong Engineering Sdn Bhd and also serves as an Independent Director of Aturmaju Resources Berhad.

Note :

None of the Directors have any family relationship with any director and / or major shareholder of the company nor any conflict of interest with the company and none of the Directors have committed any offences within the past ten (10) years other than traffic offences, if any.



GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT

On behalf of the Board of Directors, I am hereby present the Annual Report of HB Global Limited ("HB Global" or "the Company") and its subsidiaries ("the Group") for the financial year ended 31 December 2015 ("FYE 2015") following another challenging year as 2015 saw China growing at a sluggish rate which hampered domestic consumption and growth. This gloomy outlook is unlikely to prevail in 2016 given the slowdown in global economy. China continues to face structural reform and we foresee 2016 will be another challenging year.

Business Environment

In 2015, we saw the duckling prices remained at depressed prices and the contracts negotiated with our key customers for Ready-To-Serve segment were not in our favour and coupled by the high overheads, the losses were unavoidable for 2015. Our margins continued to be pinched by the effect on appreciation of Chinese Renminbi ("RMB") and given the domestic market is relatively new to the Group as the Group has always been export-oriented, time is needed to capture further domestic market. The weakness in the property market had a major impact to the Group this year, as we witnessed huge impairment made on property, plant and equipment and even barring any unforeseen circumstances, with no sign of the economy in China accelerating, we may see another wave of impairment in 2016.

Business Review

During the financial year under review, the China's economy continued to slow down. The events of the international front continue to impact the domestic market. The oversupply of the foods industries brought the market prices down and appreciation of RMB eventually brought the margins down as well. Discounts were offered with the objective of clearing stocks and maintaining the operation of production facilities and workers. Our Group remained focus in its attempt to resume to profitability by working closely with our distributors, identifying new market and improving our products to remain competitive. Our continued efforts to bridge the highly intense market to reach our consumers require us to keep building our brand and increasing our distribution networks.

Financial Highlights

The Group's revenue decreased slightly by RMB1.5 million or approximately 0.5% from RMB271.7 million in financial year ended 31 December 2014 ("FYE2014") to RMB270.2 million in financial year ended 31 December 2015 ("FYE2015"). The decreased 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. Furthermore, 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.

Corporate Development

Given the current economy climate in China, the Group may consider shutting down the duck farms and its facilities and focus on RTS segment to avoid further hampering on the performance of the Group since the Group took on its commitment to expand into duck farming segment. The heavy commitment has taken a toll on the Group's liquidity and performance.



GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT (cont'd)

Future Prospects

With no sign of the economy in China accelerating to promote domestic consumption and coupled by the weakness in the global economy, it will be another challenging year for the Group. The Company is open to talks with potential investors or business venture that will bring enhanced value to the members of the Company.

Acknowledgement and Appreciation

On behalf of the Board of Directors, I seek the patience of our shareholders, customers, suppliers and business associates who had continued to place trust and support in our Group as we continue to ride through this challenging period.

Last but not least, I would like to thank the Board members for their guidance and the Management and staff for their dedication, loyalty and commitment to the Group. The Management shall continue to work tirelessly towards maintaining the interest of all shareholders despite the challenges faced.

Shen Hengbao

Group Chief Executive Officer



CORPORATE SUSTAINABILITY STATEMENT

We perceived corporate sustainability as our commitment to create long term value for our shareholders, environment and society through innovation and overall operational excellency. We understand our choices today have an impact on our customers and suppliers and the success of their businesses in the future. Our business imperative is to carry out our activities responsibly and with integrity. Our people are expected to behave in an honest and ethical manner in accordance with our policies, business rules and guidelines.

Our Corporate Sustainability Commitment

As part of the Group's Corporate Sustainability Commitment, we defined our commitment through efforts towards its employees, the community and the environment where its businesses are conducted, the following activities are in place:

Environmental Care

The Group strictly complies with the environmental guidelines set by provincial and municipal governments for the discharge of pollutants. The Group has also obtained the Emission Permit issued by the Environmental Protection Bureau of Ju County, PRC.

Employee Welfare

Efforts are in place for the provision of a conducive working environment for the workers and personnel of the Group who are the driving force behind the Group's growth and operational success.

The Group focuses on improving the quality and living standards of its employees and will continue monitoring the same, working towards the provision of providing its employees with a good and healthy environment under the Group's care in the coming years.

Occupational Safety And Health At The Work Site

It is crucial to maintain high occupational safety and health standards for all employees and others at the work place. The Group is readily committed to improving its health and safety performance and conducting business in a socially responsible manner from time to time.

Promoting Employment Opportunities for Local Community

As part of the requirement of the local council in China which has been supporting the Group's land acquisition through subsidies given in recent years, the Group is committed to expand its duck farming segment so as to promote employment opportunities for the local community.



CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("the Board") affirms its overall responsibility in ensuring that good corporate governance practices are in place throughout the Group in order to protect and enhance shareholders' interests and the performance of the Group. The Board endeavours to fully comply with the Malaysian Code on Corporate Governance ("MCCG") and to adopt the Best Practices as recommended by the MCCG to the best interest of the shareholders of the Group. The Board also fully subscribes to and supports the relevant provisions in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements").

Below is a statement and description in general on how the Group has applied the principles and complied with the best practices provisions as laid out in the MCCG throughout the financial year ended 31 December 2015 pursuant to Paragraph 15.25 of the Listing Requirements.

A. DIRECTORS

The Board

The Group is led and controlled by an effective Board. The Board provides strategic direction for the Group and regularly meets to review corporate strategies, resolve operational affairs and monitor the financial performance of the Group.

The Board assumes responsibility for the effective stewardship and control of the Group and its members have established a terms of reference to assist them in the discharge of their responsibilities.

Board Balance

The Board currently comprises five (5) directors of whom two (2) are Executive Directors and three (3) are Independent Non-Executive Directors, thereby meeting the minimum one-third (1/3) requirement for independent directors to be appointed to the Board as required under the Listing Requirements. The profile of each of the Directors is available at pages 3 to 5 of this Annual Report. The combination of professionals with diverse and varied backgrounds and wealth of experience and expertise in finance and corporate affairs also enables the Board to discharge its responsibilities effectively and efficiently.

The MCCG recommends that the Board of Directors of a public listed company should be composed of a majority of independent directors where the Chairman of the Board is not an independent director. The Chief Executive Officer of the Company (the "CEO") currently assumes the role of the Chairman of the Company and has the obligation to preside at various meetings, namely the shareholders' general meetings and the Board meetings. The Board of Directors of the Company, notwithstanding that the role of the Chairman is currently assumed by the CEO, is of the opinion that the element of independence which currently exists is adequate to provide assurance that there is a balance of power and authority on the Board.

There is a clear division of responsibilities of the CEO, having direct responsibilities for business operations, assisted by Executive Director and the Management staff being primarily responsible for the conduct of the Board while overseeing the implementation of the Board's decisions and policies. The Executive Director has the responsibility to manage the day-to-day business operations of the Group by ensuring that strategies, policies and matters approved by the Board and other committees are implemented diligently.

There is also a balance in the Board with the presence of the Independent Non-Executive Directors of the necessary calibre and experience to make informed decisions at Board meetings. Although all the Directors have equal responsibility for the Group's operations, the Independent Non-Executive Directors are particularly important in safeguarding the interests of the Group, the shareholders, the employees and the communities in which the Group conducts its business by rendering independent views and advice.

The Board has yet to identify a Senior Independent Non-Executive Director to whom concerns may be conveyed by shareholders and the general public. However, each and every Board member are encouraged to actively participate in the decision making process.



CORPORATE GOVERNANCE STATEMENT (cont'd)

The Board has not set a gender diversity targets as of the reporting period as it is of the view the Board membership should be determined based on a candidate's skills, experience and other qualities regardless of gender. Equal opportunity is given and does not practise discrimination of any form, whether based on age, gender, race and religion, throughout the organisation. Nevertheless, the Board will evaluate and match the criteria of the potential candidate as well as considering the boardroom diversity for any new proposed appointment of directors of the Company in the future. Currently, our Board comprise of one (1) female director.

Duties and Responsibilities

The Board takes full responsibility for the performance of the Group. The Board guides the Company on its short and long-term goals, provides advice and directions on management and business development issues while providing balance to the management of the Company.

The Board assumes the following responsibilities:

- Reviewing and adopting a strategic plan for the Group;
- Overseeing the conduct of the Group's business to evaluate whether the business is being properly managed;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing senior management;
- Developing and implementing an investor relations program or shareholder communications policy for the Group; and
- Reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including system for compliance with applicable laws, regulations, rules, directives and guidelines.

Code of Conduct and Ethics

The Board is committed in maintaining a corporate culture which engenders ethical conduct. The Company is in the midst of preparing its Code of Conduct, which summarises what the Company must endeavour to do proactively in order to increase corporate value, and which describes the areas in daily activities that require caution in order to minimise any risks that may occur. The Board will undertake to develop the said Code of Conduct and upload the same on the Company's website in due course.

Board Charter

As part of governance process, the Board is in the midst of finalising its Board Charter which sets out the composition and balance, roles and responsibilities, operation and processes of the Board. The Board will undertake to finalise the said Board Charter and upload the same on the Company's website in due course.

Whistle-blowing Policy

The Company is in the midst of preparing its Whistle-blowing Policy, with the aim to provide an avenue for raising concerns related to possible breach of business conduct, non-compliance of laws and regulatory requirements as well as other malpractices. The Board undertake to develop the said policy and upload the same on the Company's website in due course.



CORPORATE GOVERNANCE STATEMENT (cont'd)

Promote Sustainability

The Board ensures that the Company's strategies promote sustainability with attention given particularly to environmental, social and governance ("ESG") aspects of business which underpin sustainability. The Board understands that balancing ESG aspects with the interests of various stakeholders is essential to enhancing investor perception and public trust. Disclosures on corporate responsibility are presented under "Corporate Sustainability Statement" of this Annual Report.

Directors' Training

All the Directors have undergone the Mandatory Accreditation Program ("MAP") prescribed by Bursa Securities. The Directors remain committed to undergoing further continuing education training programmes to upgrade and enhance their knowledge and to keep abreast with the constantly changing environment in the business and corporate sectors. All the Directors are aware of the duties and responsibilities and will continue to undergo other relevant training programmes to keep abreast with the new regulatory developments and requirements in compliance with the Listing Requirements on continuing education.

Details of seminars / conferences / training programmes attended by the Board members during the financial year as listed below:

Name of Director	Seminars / Conferences / Training Programmes Attended
Yang Chin Shen	Mandatory Accreditation Program and other accounting related seminars
Ho Pui Hold	Mandatory Accreditation Program

Saved as disclosed above, other Directors of the Company were not able to select any suitable training programmes to attend during the financial year due to overseas travelling and their busy work schedule. However, they have constantly been updated with relevant reading materials and technical updates, which will enhance their knowledge and equip them with the necessary skills to effectively discharge their duties as Directors of the Company.

The Board will continue to evaluate and determine the training needed by the Directors from time to time to enhance their skills and knowledge in order to enable them to discharge their responsibilities more effectively.

Supply of Information

The Chief Financial Officer who is also the Acting Company Secretary will attend all Board meetings and Committee meetings and is responsible for the proper maintenance of records of the Board and Committee meetings and records of discussions on key deliberations and decisions taken. Where necessary, he will seek guidance from Company's Agent in Malaysia.

All Directors have access to all information within the Group. In addition, the Acting Company Secretary renders necessary assistance to the Board and ensures meeting procedures are followed and the applicable laws and regulations are complied with.

Under the direction of the CEO, the Acting Company Secretary's responsibilities include ensuring good information flows within the Board and its Committees and between senior management and Non-Executive Directors, as well as facilitating orientation and assisting with professional development as required.

Where necessary, the Directors may engage independent professionals at the Group's expense on specialised issues to enable the Directors to discharge their duties with adequate knowledge on the matters deliberated.



CORPORATE GOVERNANCE STATEMENT (cont'd)

Board Committees

The Board has established the following Committees to assist them in the discharge of their duties. The Committees operate under approved terms of references or guidelines.

- **Audit Committee**

The terms of the Audit Committee and its activities during the financial year are outlined under the Audit Committee Report in pages 18 to 21 of this Annual Report.

- **Remuneration Committee**

The Remuneration Committee is authorised by the Board to establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. The remuneration of Directors shall be the ultimate responsibility of the full Board after considering the recommendations of the Remuneration Committee.

The Remuneration Committee meet at least once a year and when required and is entrusted, among others, with examining the remuneration packages and other benefits of the Executive Directors. The contribution, responsibilities and performance of each Executive Director is taken into account when determining their respective remuneration packages. The quorum of the Remuneration Committee meeting shall be two (2) members and comprised a majority of independent directors. However, the ultimate responsibility to approve the remuneration of these Directors remains with the Board as a whole. The Executive Directors are not involved in any decisions with regard to their own remuneration. The present members of the Remuneration Committee is composed mainly of Non-Executive Directors as follows:

Chairman

Sun Shimin

(Independent Non-Executive Director)

Member

Shen Hengbao

(Chief Executive Officer)

Yang Chin Shen

(Independent Non-Executive Director)

- **Nomination Committee**

The role of the Nomination Committee is to recommend the candidates who have an optimal mix of qualifications, skills and experiences, including core competencies to the Board. The Nomination Committee is required to evaluate the effectiveness of the Board, each Committee of the Company and also to assess the contribution of each Director in relation to the effectiveness of the Board's decision-making process on an annually basis.

The Nomination Committee will meet at least once per year unless otherwise determined by the Nomination Committee. The quorum of the Nomination Committee meeting shall be at least two (2) members and comprised a majority of independent directors.

The Board has stipulated specific Terms of Reference for the Nomination Committee, which covers following salient functions:

- i) assessing and recommending to the Board the candidature of directors, appointment of directors to board committees;
- ii) reviewing of Board's succession plans and training programmes for the Board;



CORPORATE GOVERNANCE STATEMENT (cont'd)

- iii) undertaking the assessment of the Board, board committees and individual directors on an on-going basis; and
- iv) undertaking annual assessment of the independence of independent directors in the Board beyond the independent director's background, economic and family relationships but considering they can continue to bring independent and objective judgment to Board deliberations.

The Nomination Committee would conduct an assessment on the performance of the Board, as a whole, based on a self-assessment approach. From the results of the assessment, including the mix of skills and experience possessed by Directors, the Board considers and approves recommendations by the Nomination Committee on the re-election and re-appointment of Directors at the Company's forthcoming annual general meeting.

The Nomination Committee may, as it deems fit, call for any appropriate person(s) to be in attendance to make presentations or furnish or provide independent advice to the Nomination Committee on any matters within the scope of responsibilities.

The present members of the Nomination Committee is composed exclusively of the following Independent Non-Executive Directors:

Chairman

Ho Pui Hold (Independent Non-Executive Director)

Member

Yang Chin Shen
(Independent Non-Executive Director)

Sun Shimin
(Independent Non-Executive Director)

Appointment to the Board

Prior to the appointment of a Director, the Nomination Committee will recommend the candidate's appointment to the Board by submitting the nomination for the Board's deliberation and approval. In assessing each candidate, the Nomination Committee will take into consideration the candidate's skills-set expertise, experience and potential contributions as a potential director. However, the appointment of new Directors is the responsibility of the full Board after considering the recommendations of the Nomination Committee.

Re-election of Directors

In accordance with the Company's Articles of Association, one-third (1/3) of the Directors shall retire by rotation from office at every Annual General Meeting ("AGM") and they shall be eligible for re-election at such AGM. The Directors to retire shall be the Directors who have been serving in office for the longest duration since their appointment or last re-election. All Directors are subject to retire from office at least once in every three years. Any Director appointed during the year is required to retire and seek re-election by shareholders at the first AGM following his appointment.

Reinforcement of Independence

The Non-Executive Directors are not employees of the Group and do not participate in the day to day management of the Group. The Non-Executive Directors are independent directors and are able to express their views without any constraints. This strengthens the Board which benefits from the independent views expressed before any decisions are taken. The Nomination Committee has reviewed the performance of the independent directors and is satisfied that they have been able to discharge their responsibilities in an independent manner.



CORPORATE GOVERNANCE STATEMENT (cont'd)

None of the current independent board members had served the company for more than nine (9) years as per the recommendations of the MCCG. Should the tenure of an independent director exceed nine (9) years, shareholders approval will be sought at a General Meeting or if the services of the director concerned are still required, the director concerned will be re-designated as a non-independent director.

Board Meetings

Board Meetings are held at quarterly intervals with additional meetings convened for particular matters, when necessary, to deliberate and approve the financial results of the Group, corporate plans, acquisition and disposal of assets, investment proposals and other pertinent issues. The notices of the meetings are circulated to the Board at least two (2) days before the meeting.

The proceedings and resolutions concluded at each Board Meeting are recorded in the minutes of the meetings, which are kept in the Minutes Book at the Company's registered office in Singapore.

Apart from the proceedings at Board Meetings, the Board exercises control on matters that require the Board's approval through circulation of Directors' resolutions as well.

The Board has held four (4) meetings for the financial year ended 31 December 2015 and the summary of attendance at the Board meetings is as follows:

Name of Directors	Attendance	Percentage of Attendance
Shen Hengbao	3/4	75%
Meng Xiangzhen	4/4	100%
Sun Shimin	2/4	50%
Yang Chin Shen	4/4	100%
Ho Pui Hold (Appointed on 18.09.2015)	1/1	100%
Dr Wong Tat Loong (Resigned on 14.09.2015)	2/3	66.7%

The Board is satisfied with the level of time commitment given by the Directors of the Company towards fulfilling their duties and responsibilities. This is evidenced by the attendance record of the Directors as set out herein above.

All the Directors are required to devote sufficient time and efforts to carry out their responsibilities. Each Director is expected to commit time as and when required to discharge the relevant duties and responsibilities, besides attending meetings of the Board and Board Committees.

Each Board member is expected to achieve at least fifty percent (50%) attendance of total Board Meetings in any applicable financial year with appropriate leave of absence be notified to the Chairman and/or Company Secretaries, where applicable.

**CORPORATE GOVERNANCE STATEMENT (cont'd)****B. REMUNERATION OF DIRECTORS**

Details of Directors' remuneration are set out below:

(a) Aggregate remuneration of Director categorised into appropriate components.

	Fee RMB'000	Salary & *Other Emoluments RMB'000	Total RMB'000
Executive Director	-	1,400	1,400
Non-Executive Director	206	-	206

*Other emoluments include bonus and the Company's contribution to Employer Provident Fund.

(b) The remuneration paid to Directors during the year, analysed into bands of RM, which is in compliance with the disclosure requirements under Listing Requirements are as follows:

Range of Remuneration	Number of Directors Executive	Number of Directors Non-Executive
Up to RM50,000	-	2
RM50,001 – RM100,000	-	1
RM200,001 – RM250,000	1	-
RM550,001 to RM600,000	1	-

The remuneration of an Executive Director is linked to corporate and individual performance. The remuneration of Non-Executive Directors is related to their experience and level of responsibilities and is subject to the shareholders' approval.

Details of the individual Director's remuneration are not disclosed in this report as the Board is of the view that the above remuneration disclosure by band and analysis between Executive and Non-Executive Directors satisfies the accountability and transparency aspects of the MCCG.

C. SHAREHOLDERS**Dialogue between Company and Investors**

The Board recognises the importance of keeping the shareholders informed and updated of developments concerning the Group. In this regard, the Group strictly adheres to the disclosure requirements of Bursa Securities and the Malaysian Accounting Board. The Group practices open communication with its investors.

In its efforts to promote effective communication, the Board recognises that timely and equal dissemination of consistent and accurate information are provided to them through public announcements made throughout the year to Bursa Securities. The shareholders and members of the public are also invited to access the Group's website at www.hbglobal.com.my for the latest information on the Group.

The practice of disclosure of information is to adopt the best practices recommended in the MCCG with regard to strengthening engagement and communication with shareholders, it is not only established just to comply with the Listing requirements of Bursa Securities.

The Group also endeavour to provide additional disclosures of information on a voluntary basis, where necessary. The management believes that consistently maintaining a high level of disclosure and extensive communication is vital to shareholders and investors in making informed investment decisions.



CORPORATE GOVERNANCE STATEMENT (cont'd)

The Company's Annual Report, circulars and financial results are dispatched annually to the shareholders to provide an overview of the Group's business activities and performances. The Share Registrar is available to attend to administrative matters relating to shareholder interests.

Annual General Meeting ("AGM")

The AGM is the principal forum for dialogue with the shareholders. The shareholders will be notified of the meeting together with a copy of the Company's Annual Report at least twenty one (21) days before the meeting. At the AGM, the Board will present the shareholders with a comprehensive report on the progress and performance of the Group and the shareholders are encouraged to participate in the questions and answers session thereat where they will be given the opportunity to raise questions or seek more information during the AGM.

Apart from contacts at general meetings, currently there is no other formal program or schedule of meetings with investors, shareholders, stakeholders and the public generally. However, the management has the option of calling for meetings with investors/analysts if it deems necessary. Thus far, the management is of the opinion that the existing arrangement has been satisfactory.

On poll voting, the Board is of the opinion that with the current level of shareholders' attendance at general meetings, voting by way of a show of hands continues to be efficient. During the general meetings, the Chairman of the meeting will remind all members present about their right to demand for a poll in accordance with the provisions of the Articles of Association of the Company in the voting on any resolutions. Currently, all resolutions put forth for the shareholders' approval are carried out by a show of hands, unless a poll is demanded or specifically required.

D. ACCOUNTABILITY AND AUDIT

Financial Reporting

In preparing the annual financial statements and quarterly announcement of results to the shareholders, the Board has always strived to present a balanced and understandable assessment of the Group's position and prospects to the shareholders.

In the preparation of the annual financial statements and quarterly announcement of results, the Directors would have taken the necessary steps to ensure that the Group had used all applicable accounting policies consistently and that these are supported by reasonable and prudent judgements and estimates.

The Board is assisted by the Audit Committee in the overseeing of the Group's financial reporting processes and the quality of its financial reporting.

Risk Management and Internal Control

The Board affirms the importance of sound internal control and risk management practices to safeguard shareholders' investments, customers' interest and the Group's assets. In order to improve internal controls within the Group, the Board has appointed an established independent professional firm to carry out the internal audit function for the Group. The Board is pleased to inform that there were no major findings from the internal auditor for the scope of work covered in financial year ended 31 December 2015.

The information on the Group's risk management and internal control is further elaborated in pages 22 to 23 on the Risk Management and Internal Control Statement of this Annual Report.

Relationship with the External Auditors

The Board has appropriately established a formal and transparent relationship with the Group's external auditors. From time to time, the auditors will highlight to the Audit Committee and the Board of Directors



CORPORATE GOVERNANCE STATEMENT (cont'd)

on matters that require the Audit Committee's and Board's attention and action. The role of the Audit Committee in relation to the external auditors can be found in the Audit Committee Report as set out in pages 18 to 21 of this Annual Report.

In assessing the independence of external auditors, the Audit Committee reviewed and considered a written assurance from the external auditors, confirming that they are, and have been, independent throughout the conduct of their audit engagement with the Company in accordance with the relevant rules and regulations.

Annual appointment or re-appointment of the external auditor is via shareholders' resolution at the AGM on the recommendation of the Board. The external auditors are being invited to attend the AGM of the Company to respond and reply to the Shareholders' enquiries on the conduct of the statutory audit and the preparation and contents of the audited financial statement.

The Audit Committee is satisfied with the competence and independence of the external auditors for the financial year under review.

E. DIRECTOR'S RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of financial statements for each financial year to give a true and accurate view of the financial state of the Group and the Company and of the results and cash flows of the Group and the Company for the financial year then ended.

In ensuring the preparation of these financial statements, the Directors have:

- Overseen the overall conduct of the Company's business and that of the Group;
- Identified principal risks and ensured that an appropriate system of internal control exists to manage these risks;
- Reviewed the adequacy and integrity of Internal Controls System and Management Information System in the Company and within the Group;
- Adopted suitable accounting policies and applied them consistently;
- Made judgments and estimates that are reasonable and prudent; and
- Ensured compliance with the applicable approved accounting standards.

The Directors are responsible for ensuring that proper accounting and other records are closed with reasonable accuracy at any time reflecting the financial position of the Group and ensuring that the financial statements comply with the Listing Requirements, applicable approved accounting standards and other legal requirements.

F. COMPLIANCE STATEMENT

Saved as disclosed above, the Board is of the view that the Group has complied with and shall remain committed to attaining the highest possible standards through the continuous adoption of the principles and best practices set out in MCCG and all other applicable laws, where applicable.



AUDIT COMMITTEE REPORT

COMPOSITION OF AUDIT COMMITTEE

In compliance with paragraph 15.09 of the Listing Requirements, the present members of the Audit Committee comprises three (3) directors, who are Independent Non-Executive Directors.

Chairman

Yang Chin Shen
(Independent Non-Executive Director)

Members

Ho Pui Hold
(Independent Non-Executive Director)

Sun Shimin
(Independent Non-Executive Director)

TERMS OF REFERENCE

The terms of reference of the Audit Committee are as follows:

1. Membership

- (i) The Audit Committee shall be appointed by the Board.
- (ii) It shall comprise at least three (3) members who must be Non-Executive Directors, with a majority of them being Independent Directors.
- (iii) The Chairman of the Audit Committee shall be appointed by the Audit Committee amongst the members of the Audit Committee themselves and shall be an Independent Director.
- (iv) If the number of members is reduced to below three (3) as a result of resignation or death of a member, or for any other reason(s), the Audit Committee shall, within three (3) months of that event, appoint amongst such other directors, a new member to make up the minimum number required herein.
- (v) At least one (1) member of the Audit Committee:
 - (a) must be a member of the Malaysian Institute of Accountants ("MIA"); or
 - (b) if he/she is not a member of the MIA, he/she must have at least three (3) years working experience and :-
 - he/she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - he/she must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
 - (c) must possess such qualifications as may from time to time be prescribed by the Bursa Securities.
- (vi) An alternate director is not eligible for membership in the Audit Committee.



AUDIT COMMITTEE REPORT (cont'd)

2. Authority

The Audit Committee is authorised by the Board to investigate any activity within its Terms of Reference. The Audit Committee shall have unlimited access to both the internal auditors and external auditors as well as all employees of the Group. The Audit Committee shall also have the authority to obtain independent legal or other professional advice and to secure attendance of outsiders with relevant experience and expertise if it considers this necessary.

3. Duties and Responsibilities

- (i) To review with the internal auditor their audit plans, the reports and the system of internal control.
- (ii) To review the adequacy of scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work.
- (iii) To review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
- (iv) To review the assistance and cooperation given by the Company's management to the external auditor and internal auditor.
- (v) To review the plans of the external auditor of the Company, and their reports arising from the audit.
- (vi) To review the cost effectiveness, independence and objectivity of the external auditor.
- (vii) To review the nature and extent of non-audit services provided by the external auditor.
- (viii) To review the quarterly unaudited condensed financial statements and the year end financial statements of the Group before submission to the Board, focusing particularly on:
 - any changes in accounting policies and practices;
 - any significant and unusual results or events; and
 - compliance with accounting standards and other legal requirements.
- (ix) To review any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- (x) To review with the external auditor their audit report, management letter and Management's response.
- (xi) To recommend to the Board the appointment or reappointment of the external auditor and internal auditor, audit fee, and where applicable, their resignation and dismissal.
- (xii) To undertake such other responsibilities as may be agreed to by the Committee and the Board of Directors.



AUDIT COMMITTEE REPORT (cont'd)

4. MEETINGS

- (i) The Audit Committee shall hold at least four (4) meetings a year and such additional meeting(s) as the Chairman of the Audit Committee shall decide in order to fulfill its duties.
- (ii) Apart from the members of the Audit Committee who will be present at the meetings, the Audit Committee may invite any member of the Board of Directors, the Management, staff and representatives of the external auditor and internal auditor to be present at the meeting of the Audit Committee.
- (iii) A quorum shall consist of two (2) members. The majority of members present must be Independent Non-Executive Directors.
- (iv) Notices of not less than two (2) working days shall be given for the calling of any meeting to members.
- (v) Matters raised and tabled at all meetings shall be decided by a majority of votes of the members.
- (vi) A resolution in writing, signed by all the members shall be as valid and effective as if it had been deliberated and decided upon at a meeting of the Audit Committee.
- (vii) Proceedings of all meetings held and resolutions passed as referred to in clause (vi) above shall be recorded by the Company Secretary and kept at the Group's registered office.
- (viii) Every member of the Board shall have the right at any time to inspect the minutes of all meetings held and resolutions passed by the Audit Committee and the reports submitted thereat.
- (ix) The external auditors shall have the right to attend and be heard at any meeting and shall attend before the Audit Committee when so required by the Audit Committee.
- (x) Upon the request of the external auditors, the Chairman shall convene a meeting to consider any matters that the external auditors recommend should be brought to the attention of the Directors or shareholders of the Company.
- (xi) The Audit Committee shall meet with the external auditors at least twice in a financial year without the presence of the executive board members of the Group.

DETAILS OF ATTENDANCE

The Audit Committee had convened four (4) meetings for the financial year ended 31 December 2015 and the summary of attendance is as follows:

Name of Audit Committee Members	Attendance
Yang Chin Shen – Chairman	4/4
Sun Shimin – Member	2/4
Ho Pui Hold – Member (<i>Appointed on 18.09.2015</i>)	1/1
Dr Wong Tat Loong – Member (<i>Resigned on 14.09.2015</i>)	2/3



AUDIT COMMITTEE REPORT (cont'd)

SUMMARY OF ACTIVITIES

The main activities that were undertaken by the Audit Committee during the financial year ended 31 December 2015 include the following:

- (i) Reviewed the quarterly unaudited financial results of the Group and the annual audited financial statements prior to the Board of Directors' approval and the subsequent release of the relevant announcement;
- (ii) Reviewed the Corporate Governance Statement, Audit Committee Report and Statement of Risk Management and Internal Control of the Group for the purpose of inclusion in the Annual Report;
- (iii) Reviewed the auditor's reports and any management letter issued by the auditor and the management's response;
- (iv) Reviewed related party transactions and conflict of interest situation that may arise within the Company or the Group; and
- (v) Met once with the external auditor, without the presence of the Company's management.

INTERNAL AUDIT FUNCTION

The Group has outsourced its internal audit function to a professional services firm, which reports directly to the Audit Committee and assists the Audit Committee in reviewing the effectiveness of the internal control systems whilst ensuring that there is an appropriate balance of controls and risks throughout the Group in achieving its business objectives. With the internal audit function being put in place, remedial action can be taken in relation to weaknesses identified and noted in the systems and controls of the respective operating units. The setting up of the internal audit function is geared towards increasing efficiency and better management of resources in all aspects of the Group's operations. The costs incurred for the internal audit function in respect of the financial year under review is approximately RM25,000.

During the financial year under review, the following internal audit activities were undertaken:

- i) Procurement;
- ii) Trade Payable; and
- iii) Payment functions of main subsidiary.



RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

Introduction

The Malaysian Code of Corporate Governance 2012 requires listed companies to maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets.

In view of this, the Board of Directors of HB Global Limited is pleased to provide the following statement on the state of the internal control of the Group as a whole for the financial year ended 31 December 2015, which has been prepared pursuant to Paragraph 15.26 (b) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements and the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers issued by Bursa Malaysia Securities Berhad.

Board Responsibility

The Board acknowledges its responsibilities to maintain a sound system of internal control and risk management and to review its adequacy and integrity on an ongoing basis. However, it should be noted that the system of internal control is designed to manage rather than eliminate the risk of failure to achieve the Group's business objectives. In pursuing these objectives, this system can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The implementation of the risk management and internal control system within the Group inclusive of design, operation, identification, assessment, mitigation and control of risks, are operated with the assistance of the management throughout the period. The Board has received assurance from the Chief Executive Officer and Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively in all material aspects, based on the risk management and internal control system of the Group.

The Board is of the view that the Group's risk management and internal control framework and system is in place for identifying, evaluating and managing significant risks faced or potentially to be encountered by the Group. The key features of the internal control systems which are operated with the assistance of the management are described under the following headings:

Risk Management Framework

The Board recognises the need for effective risk management and to maintain a sound system of internal control. Risk management is an integral part of the Group's business operations and this process goes through a review process by the Board. Discussions have been conducted during the year involving different levels of managements to identify and address risks faced by the Group. These risks were summarised and included in the Group's risk management report. The Group has an ongoing process for identifying, evaluating and managing the significant risks faced by the Group throughout the financial year under review by the management. This is to ensure that all high risks are adequately addressed at various levels within the Group.

System of Internal Control

The Board is committed to maintaining a sound internal control structure to govern the manner in which the Group and its employees conduct themselves. The key elements of controls are:

- (i) the responsibilities of the Board and the management are clearly defined in the organisational structure to ensure the effective discharge of the roles and responsibilities of the parties in overseeing the conduct of the Group's business;
- (ii) the formation of operational policies and procedures by the management with a view to establishing group wide operational standards in order for all operating units to work cohesively towards achieving the business objectives of the Group. For accounting systems and financial processes, efforts are being taken to ensure consistency in the Group as a whole;



RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT (cont'd)

- (iii) frequent on-site visits to the operating units by senior management so as to acquire a first-hand view on various operational matters and to address the issues accordingly;
- (iv) the Board gathers and reviews key financial and operating statistics from time to time and constantly keeps track and monitor the achievement of the Group's performance; and
- (v) the Audit Committee reviews on a quarterly basis of the quarterly unaudited financial results to monitor the Group's progress towards achieving the Group's business objectives. Authority is given to the Audit Committee members to investigate and report on any areas of improvement for the betterment of the Group.

Board Conclusion

Pursuant to Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Risk Management and Internal Control Statement for the inclusion in the annual report of the Company and of the Group for the financial year ended 31 December 2015 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls and risk management, except for some improvement points highlighted to the Board in regards to certain internal control deficiencies. The Board has responded that the Company and the Group will improve on those internal controls.

Other than those internal control deficiencies highlighted by the external auditors, the Board believes that the systems of internal controls in the Group are adequate and have been effective in their functions, with no significant problems noted during the period under review. Going forward, the Group will continue to improve and enhance the existing systems of internal controls, taking into consideration the changing business environment.



OTHER DISCLOSURE REQUIREMENTS PURSUANT TO THE LISTING REQUIREMENTS OF BURSA SECURITIES

1. UTILISATION OF PROCEEDS

During the financial year, there were no proceeds raised by the Company from any corporate proposals.

2. SHARE BUY-BACKS

During the financial year, there was no share buy-back exercise carried out by the Company.

3. DEPOSITORY RECEIPT PROGRAMMES

During the financial year, the Company did not sponsor any depository receipt programmes.

4. IMPOSITION OF SANCTIONS AND/OR PENALTIES

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies.

5. NON-AUDIT FEES

No non-audit fees paid to the external auditors by the Company and its subsidiary companies during the financial year ended 31 December 2015.

6. VARIATION IN RESULTS

There were no significant variances between the results for the financial year and the unaudited results previously announced on 29 February 2016.

7. PROFIT GUARANTEES

During the financial year, there were no profit guarantees given by the Company and its subsidiaries.

8. MATERIAL CONTRACTS

During the financial year, there were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests.

9. CONTRACTS RELATING TO LOANS

During the financial year, there were no material contracts relating to loans entered into by the Company involving the Directors and major shareholders.

10. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES EXERCISED

There were no issuances of options, warrants or convertible securities during the financial year.

11. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE AND TRADING NATURE

Save for such disclosure made in note 29 to the Audited financial statements on page 70 of the Annual Report, there were no recurrent related party transactions of revenue nature during the financial year ended 31 December 2015.



FINANCIAL STATEMENTS

26	Director's Report
29	Statutory Declaration
30	Independent Auditor's Report
32	Statements of Financial Position
33	Consolidated Statement of Comprehensive Income
35	Statement of Changes In Equity
36	Consolidated Statement of Cash Flows
37	Notes to the Financial Statements



DIRECTORS' REPORT

The directors present their statement to the members together with the audited consolidated financial statements of HB Global Limited (the “Company”) and collectively with its subsidiaries (the “Group”) and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2015.

OPINION OF THE DIRECTORS

In the opinion of the directors,

- (a) the accompanying consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015, and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

The directors of the Company in office at the date of this statement are:

Shen Hengbao
Meng Xiangzhen
Sun Shimin
Yang Chin Shen
Ho Pui Hold (appointed on 18 September 2015)

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interest in the shares or debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Cap. 50 except as follows:

**DIRECTORS' REPORT (cont'd)**

Name of directors and companies in which interest are held	<u>Held in the name of directors</u>		<u>Deemed interest</u>	
	At beginning of	At end of	At beginning of	At end of
	<u>financial year</u>	<u>financial year</u>	<u>financial year</u>	<u>financial year</u>
		<u>No. of ordinary shares</u>		
The Company				
Shen Hengbao	-	-	267,202,000	267,202,000
Ultimate Holding Company				
Hengbao Foodstuffs Holding				
Limited				
Shen Hengbao	686	686	-	-
Meng Xiangzhen	149	149	-	-

By virtue of the provisions of Section 7 of the Singapore Companies Act, Cap.50, Shen Hengbao is deemed to have an interest in the shares held by the Company in all its subsidiaries.

SHARE OPTIONSOptions to subscribe for unissued shares

During the financial year, no options to subscribe for unissued shares of the Company or its subsidiaries were granted.

Options exercised

During the financial year, there were no shares of the Company or its subsidiaries issued by virtue of the exercise of an option to take up unissued shares.

Unissued shares under option

At the end of the financial year, there were no unissued shares of the Company or its subsidiaries under option.

AUDIT COMMITTEE

The members of the Audit Committee ("AC") at the date of this statement are as follows:

Yang Chin Shen - Chairman
Sun Shimin - Member
Ho Pui Hold - Member

The audit committee carried out its function in accordance with Section 201B(5) of the Singapore Companies Act, Bursa Malaysia Securities Berhad Main Market Listing Requirements ("MMLR") and the Code of Corporate Governance.

The primary duties and responsibilities of the AC are as follows:

- (i) To review audit plans of the internal and external auditors of the Company, and review the internal auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Company's management to the external and internal auditors;
- (ii) To review quarterly and annual financial statements and the auditor's report on the annual financial statements of the Company before their submission to the Board;
- (iii) To review the effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors;



DIRECTORS' REPORT (cont'd)

- (iv) To meet with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- (v) To review legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- (vi) To review the cost effectiveness and the independence and objectivity of the external auditors;
- (vii) To recommend to the Board the nomination of external auditors, approve the compensation of the external auditors and review the scope and results of the audit;
- (viii) To report actions and minutes of the AC to the Board with such recommendations as the AC considers appropriate; and
- (ix) To review interested person transactions.

The AC is authorised by the Board to investigate any activity within its Terms of Reference. The AC has unlimited access to both internal auditors and external auditors as well as all employees of the Group. The AC shall also have the authority to obtain independent legal or other professional advice and to secure attendance of outsiders with relevant experience and expertise if it considers this necessary.

The AC has conducted a review of interested person transactions. The AC has held 4 meetings during the financial year. The AC has also met with external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Corporate Governance Statement in the Annual Report of the Company.

INDEPENDENT AUDITOR

The independent auditor, UHY Lee Seng Chan & Co, has expressed its willingness to accept re-appointment.

On behalf of the directors,

Shen Hengbao
Director

Meng Xiangzhen
Director

7 April 2016



STATUTORY DECLARATION

Pursuant to Paragraph 9.27 of the Main Market Listing Manual Requirements of Bursa Malaysia Securities Berhad

I, Mr Ang Kong Siang, being the officer primarily responsible for the financial management of HB Global Limited, do solemnly and sincerely declare that the accompanying financial statements are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declaration Act, 1960.

Subscribed and solemnly declared by the above mentioned
At Malaysia on

This day of 7 April 2016

Ang Kong Siang

Before me

Commissioner for Oath



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HB GLOBAL UNITED

Report on the Financial Statements

We have audited the accompanying financial statements of HB Global Limited (the “Company”) and collectively with its subsidiaries (the “Group”) which comprise the statements of financial position of the Group and of the Company as at 31 December 2015, the consolidated statement of comprehensive income, statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the “Act”) and International Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HB GLOBAL UNITED (cont'd)

Emphasis of Matter

We draw attention to Note 1(b) to the financial statements which discloses that the Group incurred a net loss of RMB369,871,000 and net operating cash outflow of RMB95,124,000 during the financial year ended 31 December 2015 and as at that date, the Group's and the Company's current liabilities exceeded their current assets by RMB57,518,000 and RMB34,938,000 respectively. These conditions indicate the existence of material uncertainties that may cast significant doubt about the ability of the Group and of the Company to continue as going concerns. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

UHY Lee Seng Chan & Co
Public Accountants and
Chartered Accountants

Singapore
7 April 2016



STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

		Group		Company	
	Note	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
ASSETS					
Current assets					
Cash and cash equivalents	4	700	5,440	8	8
Trade and other receivables	5	76,957	179,370	8	8
Inventories	6	8,741	11,847	-	-
		<u>86,398</u>	<u>196,657</u>	<u>16</u>	<u>16</u>
Non-current assets					
Investments in subsidiaries	7	-	-	172,800	172,851
Property, plant and equipment	8	240,582	287,356	-	-
Construction in progress	9	72,911	142,211	-	-
Intangible assets	10	65,523	114,426	-	-
Biological assets	11	2,487	673	-	-
		<u>381,503</u>	<u>544,666</u>	<u>172,800</u>	<u>172,851</u>
Total assets		<u>467,901</u>	<u>741,323</u>	<u>172,816</u>	<u>172,867</u>
LIABILITIES					
Current liabilities					
Trade and other payables	12	117,170	16,305	8,208	7,084
Amounts due to ex-shareholders	13	2,742	2,742	2,742	2,742
Amount due to a director	14	24,004	24,666	24,004	23,966
Income tax payable		-	366	-	-
		<u>143,916</u>	<u>44,079</u>	<u>34,954</u>	<u>33,792</u>
Non-current liabilities					
Borrowings	15	14,883	17,419	-	-
Total liabilities		<u>158,799</u>	<u>61,498</u>	<u>34,954</u>	<u>33,792</u>
NET ASSETS		<u>309,102</u>	<u>679,825</u>	<u>137,862</u>	<u>139,075</u>
EQUITY					
Share capital	16	146,161	146,161	146,161	146,161
Capital reserve	17	(16,844)	-	-	-
Fair value reserve	18	7,585	8,237	-	-
Statutory reserve	19	76,090	76,090	-	-
Accumulated profits/(losses)		95,706	458,836	(8,299)	(7,086)
		<u>308,698</u>	<u>689,324</u>	<u>137,862</u>	<u>139,075</u>
Non-controlling interests		404	(9,499)	-	-
Total equity		<u>309,102</u>	<u>679,825</u>	<u>137,862</u>	<u>139,075</u>

The accompanying notes form part of these financial statements.



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME **FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

	Note	2015 RMB'000	2014 RMB'000
Revenue	20	270,238	271,698
Cost of sales		(362,335)	(284,363)
Gross loss		(92,097)	(12,665)
Other income	21	23,985	20,272
Selling and distribution expenses		(1,620)	(5,723)
Administrative expenses		(36,059)	(29,474)
Other expenses	22	(260,224)	(16,504)
Finance costs	23	(4,753)	(807)
Loss before income tax	24	(370,768)	(44,901)
Income tax credit	25	897	-
Net loss for the financial year		(369,871)	(44,901)
Other comprehensive loss			
Items that will not be reclassified to profit or loss:			
Net changes in fair value, net of tax		(652)	-
Other comprehensive loss for the financial year, net of tax		(652)	-
Total comprehensive loss for the financial year		(370,523)	(44,901)
Net loss attributable to:			
Owners of the Company		(363,130)	(43,469)
Non-controlling interests		(6,741)	(1,432)
		(369,871)	(44,901)
Total comprehensive loss attributable to:			
Owners of the Company		(363,782)	(43,469)
Non-controlling interests		(6,741)	(1,432)
		(370,523)	(44,901)
Loss per share (RMB cents per share)			
Basic	26	(77.59)	(9.29)
Diluted	26	(77.59)	(9.29)

The accompanying notes form part of these financial statements.



STATEMENTS OF CHANGES IN EQUITY

FINANCIAL YEAR ENDED 31 DECEMBER 2015

Group

	Share capital RMB'000	Capital reserve RMB'000	Fair value reserve RMB'000	Statutory reserve RMB'000	Accumulated profits RMB'000	Attributable to owners of the Company RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2014	146,161	-	8,237	76,090	502,305	732,793	(8,067)	724,726
Net loss, representing total comprehensive loss for the financial year	-	-	-	-	(43,469)	(43,469)	(1,432)	(44,901)
Balance at 31 December 2014	146,161	-	8,237	76,090	458,836	689,324	(9,499)	679,825
Net loss for the financial year	-	-	-	-	(363,130)	(363,130)	(6,741)	(369,871)
<u>Other comprehensive loss</u>								
Net changes in fair value, net of tax	-	-	(652)	-	-	(652)	-	(652)
Total comprehensive loss for the financial year	-	-	(652)	-	(363,130)	(363,782)	(6,741)	(370,523)
<u>Changes in ownership interests in a subsidiary with no change in control</u>								
Acquisition of additional interest in a subsidiary	-	(16,844)	-	-	-	(16,844)	16,644	(200)
Balance at 31 December 2015	146,161	(16,844)	7,585	76,090	95,706	308,698	404	309,102

The accompanying notes form part of these financial statements.

**STATEMENTS OF CHANGES IN EQUITY**
FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)**Company**

	Share capital RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1 January 2014	146,161	(7,336)	138,825
Net profit, representing total comprehensive loss for the financial year	-	250	250
Balance at 31 December 2014	146,161	(7,086)	139,075
Net loss, representing total comprehensive loss for the financial year	-	(1,213)	(1,213)
Balance at 31 December 2015	146,161	(8,299)	137,862

The accompanying notes form part of these financial statements.



CONSOLIDATED STATEMENT OF CASH FLOWS

FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	2015 RMB'000	2014 RMB'000
Cash flows from operating activities			
Loss before income tax		(370,768)	(44,901)
Adjustments for:			
Depreciation of property, plant and equipment		25,908	22,443
Amortisation of intangible assets		2,543	2,384
Loss on disposals of property, plant and equipment		-	56
Impairment loss on advance payments of land use rights, property, plant and equipment, construction in progress and intangible assets		257,966	6,412
Impairment loss on property, plant and equipment, construction in progress and intangible assets written back		(21,793)	(15,438)
Inventories written down		1,846	-
Biological assets written off		162	2,436
Gain on fair value of biological assets		(976)	(40)
Interest income		(78)	(247)
Interest expense		4,753	807
Operating loss before working capital changes		(100,437)	(26,088)
Changes in working capital			
Inventories		1,260	2,006
Trade and other receivables		2,779	12,127
Trade and other payables		664	(22,914)
Cash used in operations		(95,734)	(34,869)
Interest received		78	247
Income taxes refunded/(paid)		532	(532)
Net cash used in operating activities		(95,124)	(35,154)
Cash flows from investing activities			
Purchase of property, plant and equipment		(13)	(30,921)
Additions to construction in progress		-	(31,826)
Proceeds from disposals of property, plant and equipment		-	50
Increase in biological assets		(1,000)	(645)
Net cash used in investing activities		(1,013)	(63,342)
Cash flows from financing activities			
Repayment of borrowings from a shareholder		-	(255)
(Repayment of)/ Proceeds from borrowings from a director		(662)	1,874
Repayment of loan from an ex-shareholder		(4,035)	-
Loan from third parties		100,000	-
Interest paid		(3,906)	-
Net cash from financing activities		91,397	1,619
Net decrease in cash and cash equivalents		(4,740)	(96,877)
Cash and cash equivalents at beginning of financial year		5,440	102,317
Cash and cash equivalents at end of financial year	4	700	5,440

The accompanying notes form part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

These notes form part of and should be read in conjunction with the accompanying financial statements

1. GENERAL

(a) CORPORATE INFORMATION

The Company is incorporated and domiciled in the Republic of Singapore with its registered office located at 80 Robinson Road, #17-02, Singapore 068898. The address of the principal place of business of the Group is Weifang Road, Juxian Industry Garden, Ju County, Rizhao City, Shandong Province, People's Republic of China ("PRC").

The Company has another registered office at Suite 10.03, level 10 The Garden South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia. The Company is listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

The holding company of the Company is Hengbao Foodstuffs Holding Limited, a company incorporated in British Virgin Island.

The principal activities of the Company are those relating to investment holding. The principal activities of the subsidiaries are described in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The financial statements for the financial year ended 31 December 2015 were authorised for issue by the Board of Directors on 7 April 2016.

(b) FUNDAMENTAL ACCOUNTING CONCEPT

For the financial year ended 31 December 2015, the Group incurred a net loss of RMB369,871,000 (2014: RMB44,901,000) and net operating cash outflow of RMB95,124,000 (2014: RMB35,154,000). The loss for 2015 is primarily due to impairment loss on advance payments of land use rights, property, plant and equipment, construction in progress and intangible assets.

As at 31 December 2015, the Group has cash and cash equivalents of RMB700,000 (2014: RMB5,440,000) and the Group's and Company's current liabilities exceeded their current assets by RMB57,518,000 and RMB34,938,000 respectively (2014: Group's net current assets of RMB152,578,000 and Company's net current liabilities of RMB33,776,000). These factors indicate the existence of material uncertainties which may cast significant doubt about the ability of the Group and of the Company to continue to operate as going concerns.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

Notwithstanding the above, the financial statements have been prepared on a going concern basis because a major shareholder of the Company has given an undertaking to provide adequate funds to the Group to meet its future cash obligations as and when they fall due. In addition, management is actively in discussion with its banker to explore financing options to meet its operational needs and working capital requirements.

If the Group and the Company are unable to obtain the necessary funding to continue in operational existence for the foreseeable future, the Group may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded. In addition, the Group may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PREPARATION

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act (the “Act”), International Financial Reporting Standards (“IFRS”) and International Accounting Standards (“IAS”).

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies set out below.

The functional currency of the Company is Singapore dollar. The consolidated financial statements of the Group are presented in Renminbi (“RMB”) which is the functional currency of the main operating subsidiaries in the Group. All values are rounded to the nearest thousands (RMB’000) except where otherwise indicated.

The preparation of financial statements in conformity with IFRS and IAS requires management to exercise its judgement in the process of applying the Group’s accounting policies. It also requires the use of accounting estimates and assumptions. Although these estimates are based on management’s best knowledge of current events and actions, actual results may ultimately differ from those estimates. The areas where estimates and assumptions are significant or critical to the financial statements are disclosed in Note 3 to the financial statements.

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised IFRSs, IASs and Interpretations of IFRS (“INT IFRS”) that are relevant to its operations and effective for annual period beginning on 1 January 2015. The adoption of these new/revised IFRSs, IASs and INT IFRSs does not have any material effect on the financial performance or position of the Group for the current or prior financial years.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

(b) FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Financial assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss", "held-to-maturity investments", "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are initially measured at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial. Loans and receivables are presented as "cash and cash equivalents" and "trade and other receivables (excluding advance payments)" on the statement of financial position.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired.

Assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

Financial liabilities are classified as either financial liabilities "at fair value through profit or loss" or other financial liabilities.

Other financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

Interest-bearing borrowings are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

(c) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances. Detailed information on the subsidiaries is disclosed in Note 7 to the financial statements.

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 on the Bursa Securities. The acquisition of 100% equity in the subsidiary, namely Shandong 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 reorganisation exercise.

Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and property, plant and equipment, are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised as expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

Non-controlling interest are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the statements of financial position, consolidated statement of comprehensive income and statements of changes in equity. Total comprehensive income is attributed to the non-controlling interest based on their respective interests in a subsidiary, even if the subsidiary incurred losses and the losses allocated exceed the non-controlling interest in the subsidiary's equity.

Consolidation of the subsidiaries in the PRC is based on the subsidiaries' financial statements prepared in accordance with IFRS and IAS. Profits reflected in the financial statements prepared in accordance with IFRS and IAS may differ from those reflected in the PRC statutory financial statements of the subsidiaries, prepared for PRC reporting purposes. In accordance with the relevant laws and regulations, profits available for distribution by the PRC subsidiaries are based on the amounts stated in the PRC statutory financial statements respectively.

(d) **PROPERTY, PLANT AND EQUIPMENT**

All items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis to allocate the depreciable amounts of the assets over their estimated useful lives as follows:

Leasehold buildings and infrastructure	25 years
Plant and machinery	10 years
Furniture, fittings and equipment	5 years
Motor vehicles	5 years
Other facilities	10 – 15 years
Renovation	3 years

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

The residual values, useful lives and depreciation methods of property, plant and equipment are reviewed, and adjusted as appropriate, at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the financial year the asset is derecognised.

(e) CONSTRUCTION IN PROGRESS

Construction in progress is stated at cost which includes the cost of construction, purchase cost of plant and machinery as well as interest expense arising from borrowings used to finance the construction during the construction period.

Construction in progress for production plant and machinery is transferred to property, plant and equipment on the commissioning date. Plant and machinery are considered to be commissioned when they are capable of producing saleable quality output in commercial quantities on an ongoing basis.

(f) INTANGIBLE ASSETS

Intangible assets are accounted for using the cost model. Capitalised costs are amortised on a straight-line basis over their estimated useful lives as they are considered finite. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets are written off where, in the opinion of the directors, no further future economic benefits are expected to arise.

Land use rights

Land use rights are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is charged so as to write off the cost of land use rights, using the straight-line method, over the period of the grant, which is the lease term.

(g) BIOLOGICAL ASSETS

Biological assets comprise livestock.

Livestocks are measured at fair value less costs to sell, with any changes therein recognised in profit or loss. Costs to sell include all incremental costs directly attributable to the disposal of livestock, excluding finance costs and income taxes.

The fair value of livestock is determined by reference to an independent professional valuation using the present value of the net cash flows expected to be generated from the livestock at maturity and includes potential biological transformation from growth. It excludes any increases in value from procreation.

Duck eggs are transferred to inventories at its fair value less costs to sell at the date of harvest. The fair value of duck eggs is determined based on market prices in the local area.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

(h) SUBSIDIARIES

A subsidiary is an entity controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

(i) IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group's non-financial assets are reviewed for impairment at the end of each reporting period and whenever there is any indication that these assets may be impaired. If any such indication exists or when an annual impairment testing for an asset is required, the recoverable amount of the asset is estimated to determine the amount of the impairment loss (if any).

Recoverable amount of an asset is the higher of its fair value less cost to sell and value in use. For the purpose of impairment testing, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs.

If the recoverable amount of the asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount and the impairment loss is recognised in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset or CGU in prior years. A reversal of impairment loss is recognised in profit or loss.

(j) INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on the weighted average cost method.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average cost basis and exclude borrowing costs.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

Where necessary, write-down is made for deteriorated, damaged, obsolete and slow-moving inventories to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

(k) OPERATING LEASES

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

(l) TAXES

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

Deferred tax liabilities are recognised on taxable temporary difference arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary difference associated with such investments and interests are only recognised to the extent that it is possible that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they related to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Value-added

Revenues, expenses and assets are recognised net of the amount of value-added tax except:

- Where the value-added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value-added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

- Receivables and payables that are stated with the amount of value-added tax included.

The net amount of value-added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

(m) FOREIGN CURRENCY

The individual financial statements of each entity within the Group are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency).

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rate prevailing on the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in RMB using exchange rates prevailing on the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity called currency translation reserve.

(n) REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

Sale of goods

Revenue from sales of goods is recognised upon the transfer of significant risks and rewards of ownership of the goods to the buyer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Interest income

Interest income is recognised as interest accrues using the effective interest method.

(o) EMPLOYEE BENEFITS

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for annual leave is recognised for services rendered by employees up to the end of the reporting period.

Contributions to defined contribution plans are recognised in the same financial year as the employment that gives rise to the contributions.

Pursuant to the relevant regulations of the PRC government, a subsidiary of the Company in the PRC participates in a local municipal government retirement benefits scheme (the “Scheme”), whereby the subsidiary is required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiary. The only obligation of the subsidiary with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. Contributions under the Scheme are charged to profit or loss as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

(p) PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

(q) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and bank balances.

(r) BORROWING COSTS

Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(s) RELATED PARTIES

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and Company if that person:

- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

- (b) An entity is related to the Group and the Company if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(t) SEGMENT REPORTING

An operating segment is a distinguishable component of the Group that engages in business activities from which it may earn revenue and incur expenses (including revenue and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(u) SHARE CAPITAL

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2 to the financial statements, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies which are described in Note 2 above, management is of the opinion that there are no critical judgements involved that have a significant effect on the amounts recognised in the financial statements.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Allowance for inventory obsolescence

The Group reviews the carrying value of its inventories to ensure that they are stated at the lower of cost and net realisable value. In assessing the net realisable value and making appropriate allowance, management identifies inventories that are slow-moving or obsolete, considers their physical conditions and the market price of similar items. Where items of inventory have a market price that is lower than their carrying amount, the Group estimates the amount of inventory loss as allowance on inventory. The carrying amount of the Group's inventories at the end of the reporting period is disclosed in Note 6 to the financial statements.

Depreciation of property, plant and equipment

Management estimates the useful lives of property, plant and equipment to be within 3 to 25 years. These are common life expectancies applied in the relevant industry. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets. Hence, future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment is disclosed in Note 8 to the financial statements.

Impairment of advance payments of land use rights, property, plant and equipment, construction in progress and intangible assets

The Group assesses whether there are any indicators of impairment for all its assets at the end of the reporting period. The assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Indicators of impairment arose when the Group engaged an independent valuer (the "Valuer") to perform a valuation on property, plant and equipment, construction in progress and intangible assets. The Valuer valued property, plant and equipment and construction in progress using replacement cost method. The values of the property, plant and equipment and construction in progress under the replacement cost method are based on the current construction or purchases costs less depreciation. The valuation is based on the estimates of the gross replacement cost of the property, plant and equipment, from which appropriate deductions may then be made to allow for the age, condition, economic and functional obsolescence and environmental factors. The Valuer valued advance payments of land use rights and intangible assets using market comparison method. The values of intangible assets are derived by analysing prices of similar land use rights transacted recently and making adjustments based on differences in land sizes and useful lives of these land use rights. The carrying amounts of the Group's advance payments of land use rights, property, plant and equipment, construction in progress and intangible assets as at 31 December 2015 are disclosed in Notes 5, 8, 9 and 10 to the financial statements.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

Biological assets

The Group carries its biological assets at fair value less costs to sell, which require extensive use of accounting estimates. Significant components of fair value measurement were determined using assumptions including average lives of livestock, period of being immature and mature livestock, average selling price and annual discount rate. The amount of changes in fair values would differ if there are changes to the assumptions used. Any changes in fair values of these livestock would impact the profit or loss. The carrying amount of the Group's biological assets is disclosed in Note 11 to the financial statements.

Income tax expense

In the ordinary course of business, there are many transactions and calculations for which the ultimate tax treatment is uncertain. Therefore, the Group recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when the Group believes that certain positions may not be fully sustained upon review by tax authorities, despite the Group's belief that its tax return positions are supportable. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on interpretations of tax law and prior experience. The carrying amount of the Group's income tax payable is Nil (2014: RMB366,000). The carrying amount of income tax expense is disclosed in Note 25 to the financial statements.

4. CASH AND CASH EQUIVALENTS

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Cash at banks and on hand	700	5,440	8	8

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Chinese renminbi	692	5,380	-	-
Singapore dollar	8	60	8	8
	700	5,440	8	8



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

5. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
- third parties	14,679	17,626	-	-
Other receivables				
- advance payments	160,982	159,568	-	-
- sundry receivables	922	2,168	-	-
- refundable deposits	8	8	8	8
Less: impairment loss on advance payments of land use rights	(99,634)	-	-	-
	62,278	161,744	8	8
	76,957	179,370	8	8

The average credit period given to trade receivables ranges from 30 to 90 (2014: 30 to 90) days.

Advance payments relate to the acquisition of land use rights. At the end of the reporting period, the subsidiaries are in the process of obtaining these land use rights.

Impairment testing of advance payments

The recoverable amounts of advance payments were determined based on market comparison method as disclosed in Note 3(b) to the financial statements.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Chinese renminbi	75,136	171,964	-	-
United States dollar	1,813	1	-	-
British pounds	-	39	-	-
Japanese yen	-	5,716	-	-
Hong Kong dollar	-	1,633	-	-
Singapore dollar	-	9	-	-
Malaysia ringgit	8	8	8	8
	<u>76,957</u>	<u>179,370</u>	<u>8</u>	<u>8</u>

6. INVENTORIES

	Group	
	2015	2014
	RMB'000	RMB'000
Statement of financial position:		
Raw materials	2,368	2,729
Work-in-progress	211	492
Finished goods	6,162	8,626
	<u>8,741</u>	<u>11,847</u>
Statement of comprehensive income:		
Inventories recognised as an expense in cost of sales	362,335	284,363
Inclusive of the following charge/(credit) (Note 24):		
- Inventories written down	1,846	-
- Reversal of write-down of inventories	-	(795)



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2015 RMB'000	2014 RMB'000
Unquoted equity shares, at cost	172,800	172,851

Details of the subsidiaries are as follows:

<u>Name</u>	<u>Country of incorporation/ place of operation</u>	<u>Percentage of equity held</u>		<u>Principal activities</u>
		2015 %	2014 %	
Held by the Company				
Shandong Hengbao Foodstuffs Co., Ltd. *	People’s Republic of China	100	100	Processing, packaging and producing various types of foods
HB Food (S) Pte. Ltd. **	Singapore	-	100	Dormant
Held by Shandong Hengbao Foodstuffs Co., Ltd.				
Juxian Hengbao Farming Co., Ltd. *	People’s Republic of China	100	90	Rearing and trading of livestocks
Juxian Wan Hui Food Co., Ltd. *	People’s Republic of China	90	90	Dormant
Juxian Houz Best Food Co., Ltd. *	People’s Republic of China	90	90	Dormant
Held by HB Food (S) Pte. Ltd.				
Houz Best Food (M) Sdn. Bhd. ***	Malaysia	-	100	Dormant

* Audited/Reviewed by UHY Lee Seng Chan & Co for purposes of consolidation

** Struck off during the financial year

***Out of the Group upon striking off of immediate holding company during the financial year



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

8. PROPERTY, PLANT AND EQUIPMENT

Group 2015

	Leasehold buildings and infrastructure RMB'000	Plant and machinery RMB'000	Furniture, fittings and equipment RMB'000	Motor vehicles RMB'000	Other facilities RMB'000	Renovation RMB'000	Total RMB'000
Cost							
Balance at 1 January 2015	262,349	103,580	2,807	1,793	8,025	8,589	387,143
Additions	-	13	-	-	-	-	13
Transfer from construction in progress	75,653	1,188	-	-	-	-	76,841
Balance at 31 December 2015	338,002	104,781	2,807	1,793	8,025	8,589	463,997
Accumulated depreciation							
Balance at 1 January 2015	27,106	24,452	1,697	1,572	1,676	1,793	58,296
Depreciation charge for the financial year	11,449	10,314	389	133	761	2,862	25,908
Balance at 31 December 2015	38,555	34,766	2,086	1,705	2,437	4,655	84,204
Accumulated impairment losses							
Balance at 1 January 2015	41,044	30	9	-	408	-	41,491
Impairment made	79,706	31,867	262	-	137	-	111,972
Impairment written back	(15,736)	-	-	-	(206)	-	(15,942)
Transfer from construction in progress	1,690	-	-	-	-	-	1,690
Balance at 31 December 2015	106,704	31,897	271	-	339	-	139,211
Carrying amount							
Balance at 31 December 2015	192,743	38,118	450	88	5,249	3,934	240,582



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

Group 2014

	Leasehold buildings and infrastructure RMB'000	Plant and machinery RMB'000	Furniture, fittings and equipment RMB'000	Motor vehicles RMB'000	Other facilities RMB'000	Renovation RMB'000	Total RMB'000
Cost							
Balance at 1 January 2014	196,580	84,325	2,827	2,509	8,020	-	294,261
Additions	1,750	20,558	19	-	5	8,589	30,921
Transfer from construction in progress	64,019	-	-	-	-	-	64,019
Disposals	-	(1,303)	(39)	(716)	-	-	(2,058)
Balance at 31 December 2014	262,349	103,580	2,807	1,793	8,025	8,589	387,143
Accumulated depreciation							
Balance at 1 January 2014	16,936	16,267	1,347	1,769	929	-	37,248
Depreciation charge for the financial year	10,170	8,932	388	413	747	1,793	22,443
Disposals	-	(747)	(38)	(610)	-	-	(1,395)
Balance at 31 December 2014	27,106	24,452	1,697	1,572	1,676	1,793	58,296
Accumulated impairment losses							
Balance at 1 January 2014	47,447	585	11	-	541	-	48,584
Impairment made	2,847	-	-	-	-	-	2,847
Impairment written back	(11,524)	-	-	-	(133)	-	(11,657)
Transfer from construction in progress	2,274	-	-	-	-	-	2,274
Impairment disposed	-	(555)	(2)	-	-	-	(557)
Balance at 31 December 2014	41,044	30	9	-	408	-	41,491
Carrying amount							
Balance at 31 December 2014	194,199	79,098	1,101	221	5,941	6,796	287,356



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

9. CONSTRUCTION IN PROGRESS

	Group	
	2015	2014
	RMB'000	RMB'000
Cost		
Balance at beginning of financial year	149,752	187,695
Additions	-	26,076
Transfer to property, plant and equipment	(76,841)	(64,019)
Balance at end of financial year	72,911	149,752
Accumulated impairment losses		
Balance at beginning of financial year	7,541	7,052
Impairment made	-	3,373
Impairment written back	(5,851)	(610)
Transfer to property, plant and equipment	(1,690)	(2,274)
Balance at end of financial year	-	7,541
Carrying amount		
Balance at end of financial year	72,911	142,211

Construction in progress comprises factory premises and dormitory building under construction, production plants, machinery and other equipment under installation and are stated at cost.

Impairment testing of property, plant and equipment and construction in progress

The recoverable amounts of property, plant and equipment and construction in progress were determined based on replacement cost method as disclosed in Note 3 (b) to the financial statements. Write-back of impairment loss in the financial year ended 31 December 2015 is due to higher replacement costs resulting from better market prices in determining these costs.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

INTANGIBLE ASSETS

Group

2015

	Land use rights RMB'000	Computer software RMB'000	Total RMB'000
Cost			
Balance at 1 January 2015 and 31 December 2015	134,892	13	134,905
Accumulated amortisation			
Balance at 1 January 2015	13,094	13	13,107
Amortisation for the financial year	2,543	-	2,543
Balance at 31 December 2015	15,637	13	15,650
Accumulated impairment losses			
Balance at 1 January 2015	7,372	-	7,372
Impairment made	46,360	-	46,360
Balance at 31 December 2015	53,732	-	53,732
Carrying amount			
Balance at 31 December 2015	65,523	-	65,523



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

Group

2014

	Land use rights RMB'000	Computer software RMB'000	Total RMB'000
Cost			
Balance at 1 January 2014 and 31 December 2014	134,892	13	134,905
Accumulated amortisation			
Balance at 1 January 2014	10,710	13	10,723
Amortisation for the financial year	2,384	-	2,384
Balance at 31 December 2014	13,094	13	13,107
Accumulated impairment losses			
Balance at 1 January 2014	10,351	-	10,351
Impairment made	192	-	192
Impairment written back	(3,171)	-	(3,171)
Balance at 31 December 2014	7,372	-	7,372
Carrying amount			
Balance at 31 December 2014	114,426	-	114,426

The above land use rights relate to land of:

- 24,309.8 sq m located at Ju County Huaixu Gonglu Dong Ce, Rizhao Lu Nan Ce (莒县淮徐公路东侧，日照路南侧), and amortised over lease period of 38 years from 2006;
- 17,170.10 sq m located at Ju County Huaixu Gonglu Dong Ce, Rizhao Lu Nan Ce (莒县淮徐公路东侧，日照路南侧), and amortised over lease period of 50 years from 2006;
- 64,427 sq m located at Ju County Yanzhuang Town Jianhua Cun Zhu Di, Weifang Lu Bei Ce (莒县闫庄镇建华村驻地，潍坊路北侧), and amortised over lease period of 50 years from 2006;
- 91,614 sq m located at Ju County Yanzhuang Town Village, DaZhangAnPo Village, Jianhua Village (莒县闫庄镇大长安坡村，建华村), and amortised over lease period of 50 years from 2011;



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

- e) 162,267 sq m located at Ju County AnZhuan Town, ZhuDi North Avenue, Huang Road, West (莒县安庄镇镇驻地以北道黄路以西), and amortised over lease period of 50 years from 2011; and
- f) 57,967 sq m located at Ju County QiShan Town, ShiQuanGuanZhuan Village (莒县莒山镇石泉官庄村), and amortised over lease period of 50 years from 2011.

Impairment testing of intangible assets

The recoverable amounts of intangible assets were determined based on market comparison method as disclosed in Note 3 (b) to the financial statements.

11. BIOLOGICAL ASSETS

	Group	
	2015	2014
	RMB'000	RMB'000
Livestocks		
At valuation		
Balance at beginning	673	2,424
Increase due to purchases	1,000	645
Decrease due to sales/death	(162)	(2,436)
Gain arising from changes in fair value less estimated point-of-sale costs	976	40
Balance at end	<u>2,487</u>	<u>673</u>

At the end of the reporting period, livestock comprised 102,315 ducks (2014: 41,821 ducklings). During the financial year, the Group sold Nil (2014: 40,136) ducks. The fair value of livestock was determined based on the actual selling prices approximating those at year end less estimated point-of-sale costs.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

12. TRADE AND OTHER PAYABLES

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables				
- third parties	3,957	3,487	-	-
Other payables				
- subsidiaries (non-trade)	-	-	5,064	4,300
- loan from third parties	100,000	-	-	-
- sundry payables	5,076	3,473	1,833	984
- accrued operating expenses	8,137	9,345	1,311	1,800
	113,213	12,818	8,208	7,084
	117,170	16,305	8,208	7,084

Trade payables are normally settled within 30 to 90 (2014: 30 to 90) days from date of invoice while other payables have an average term of 6 (2014: 6) months.

The loans from third parties are unsecured, interest-bearing at 1% per month and repayable within one year in cash.

Non-trade amount due to subsidiaries is unsecured, interest-free and repayable in cash on demand.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Chinese renminbi	114,027	13,491	5,064	4,300
Singapore dollar	3,034	2,729	3,034	2,703
Malaysian ringgit	109	85	110	81
	117,170	16,305	8,208	7,084



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

13. AMOUNTS DUE TO EX-SHAREHOLDERS

Amounts due to ex-shareholders consist of a sum of RMB1,156,000 (2014: RMB1,156,000) which represents payment on behalf and a sum of RMB1,586,000 (2014: RMB1,586,000) which represents outstanding accrued interest when the principal amount due was fully repaid in year 2012. These amounts are unsecured, repayable in cash on demand and are denominated in Singapore dollar.

14. AMOUNT DUE TO A DIRECTOR

The amount due to a director is non-trade in nature, unsecured, interest-free and is repayable in cash on demand.

15. BORROWINGS

	Group	
	2015 RMB'000	2014 RMB'000
<i>Non-current</i>		
Loan from ex-shareholders	14,883	17,419

On 25 September 2009, Shandong Hengbao Foodstuffs Co., Ltd. entered into a loan agreement with Shen Hengbao, Meng Xiangzhen, Wu Fang, Yao Zhifang and Shi Geli (collectively the “Ex-shareholders”) to obtain a total loan of RMB21,800,000 from the Ex-shareholders. The loan is interest-free and is for a period of 10 years with option to extend for a further period of 10 years if requested by the Company. During the financial year, RMB 4,035,000 was repaid to one of the ex-shareholders.

The loan amount is stated at fair value determined from cashflow analysis and discounted at market borrowing rate of 4.86% (2014: 4.86%) per annum.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

16. SHARE CAPITAL

	Group/Company	
	2015	2014
	RMB'000	RMB'000
Issued and fully paid with no par value		
468,000,000 ordinary shares	146,161	146,161

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

17. CAPITAL RESERVE

The capital reserve comprises the difference between purchase consideration and attributable net assets relating to the acquisition of additional interest in a subsidiary from non-controlling interests with no change in control.

18. FAIR VALUE RESERVE

The fair value reserve represent fair value adjustment on interest-free loan from ex-shareholders of Shandong Hengbao Foodstuffs Co., Ltd. (Note 15).

19. STATUTORY RESERVE

The Group follows the accounting principles and relevant financial regulations of the People's Republic of China ("PRC") in the preparation of the accounting records and statutory financial statements of the PRC subsidiaries.

In accordance with the Foreign Enterprise Law applicable to the subsidiaries in the PRC, one of the subsidiaries is required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The SRF is not available for dividend distribution to shareholders.

There is no appropriation made to the SRF in 2015 and 2014 as the subsidiaries did not generate any statutory after tax profits in these two financial years.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

20. REVENUE

	Group	
	2015 RMB'000	2014 RMB'000
Sale of goods	270,238	271,698

21. OTHER INCOME

	Group	
	2015 RMB'000	2014 RMB'000
Foreign exchange gain	1,137	1,080
Gain on fair value of biological assets	976	40
Government subsidies	-	2,500
Interest income	78	247
Impairment loss written back on:		
- property, plant and equipment	15,942	11,657
- construction in progress	5,850	610
- intangible assets	-	3,171
Sale of matured ducks	-	906
Sundry income	2	61
	23,985	20,272



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

22. OTHER EXPENSES

	Group	
	2015	2014
	RMB'000	RMB'000
Disposals of biological assets	-	7,656
Disposals of consumable ducks	233	-
Biological assets written off	162	2,436
Impairment loss on:		
- advance payments of land use rights	99,634	-
- property, plant and equipment	111,972	2,847
- construction in progress	-	3,373
- intangible assets	46,360	192
Inventories written down	1,846	-
Loss on striking off of subsidiaries	17	-
	<u>260,224</u>	<u>16,504</u>

23. FINANCE COSTS

	Group	
	2015	2014
	RMB'000	RMB'000
Interest expense on		
- borrowings from ex-shareholders	847	807
- borrowings from third parties	3,906	-
	<u>4,753</u>	<u>807</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

24. LOSS BEFORE INCOME TAX

This is stated after charging/(credited):

		Group	
	Note	2015 RMB'000	2014 RMB'000
Audit fee to auditors of the Company		688	719
Amortisation of intangible assets	10	2,543	2,384
Depreciation of property, plant and equipment	8	25,908	22,443
Employee benefits expense	27	54,502	49,629
Inventories written down/(written back)	6	1,846	(795)
Operating lease expense - premises and equipment		1,783	1,439

25. INCOME TAX CREDIT

		Group	
		2015 RMB'000	2014 RMB'000
Current tax credit			
- prior financial year		897	-
Reconciliation of effective tax rate			
Loss before income tax		(370,768)	(44,901)
Tax at the domestic rates applicable in the countries where the Group operates		(92,654)	(11,245)
Adjustments:			
- non-deductible expenses		10	1
- non-taxable income		(46)	(190)
- deferred tax assets not recognised		75,426	11,294
- tax losses disregarded		17,264	140
- overprovision of income tax in prior financial year		897	-
		897	-



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

Unutilised tax losses

As at 31 December 2015, the Group has unutilised tax losses of approximately RMB301,705,000 (2014: RMB26,650,000) available for set-off against future taxable income subject to compliance with the relevant tax legislation and agreement with the Tax Authority.

The potential tax benefit of approximately RMB82,089,000 (2014: RMB6,663,000) arising from unutilised tax losses has not been recognised due to the uncertainty of its utilisation against future taxable profits.

26. EARNINGS PER SHARE

The basic and diluted earnings per share attributable to the owners of the Company is computed as follows:

	Group	
	2015	2014
Net loss attributable to owners of the Company (RMB'000)	(363,130)	(43,469)
Weighted average number of ordinary shares in issue ('000)	468,000	468,000
Earnings per share		
- Basic (RMB cents)	(77.59)	(9.29)
- Diluted (RMB cents)	(77.59)	(9.29)

Diluted earnings per share are the same as basic earnings per share as the Company does not have potential dilutive shares.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

27. EMPLOYEE BENEFITS EXPENSE

	Group	
	2015 RMB'000	2014 RMB'000
Salaries, bonuses and related costs (including directors' remuneration)	53,223	48,243
Employer's contributions to defined contribution funds	1,279	1,386
	<u>54,502</u>	<u>49,629</u>

28. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group	
	2015 RMB'000	2014 RMB'000
Construction of duck poultry and slaughter factory	52,720	52,720
Construction of feed mill plant	30,000	30,000
Installation of cold room and production facilities	9,531	16,800
	<u>92,251</u>	<u>99,520</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

(b) Lease commitments

At the end of the reporting period, the Company has outstanding rental commitments under non-cancellable operating leases in respect of business premises and equipment falling due as follows:

	2015 RMB'000	2014 RMB'000
Within one year	1,507	1,473
Between one and five years	8,817	6,030
More than five years	4,036	5,548
	<u>14,360</u>	<u>13,051</u>

The above operating leases do not contain any escalation clauses and do not provide for contingent rents.

29. RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the following are the significant transactions between the Group and related parties that took place at terms agreed between the parties during the financial year:

	Group	
	2015 RMB'000	2014 RMB'000
Compensation of key management personnel		
Short-term benefits paid to:		
Directors		
- salaries and related costs	1,400	1,400
- directors' fees	206	209
Other key management personnel		
- salaries and related costs	590	909
- post employment benefits	35	41
	<u>2,231</u>	<u>2,559</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

30. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and has four reportable operating segments as follows:

- (i) Ready-to-serve food
- (ii) Frozen vegetables
- (iii) Duck farming
- (iv) Others

Except as indicated above, no operating segments have been aggregated to/from the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Unallocated costs represent corporate expenses.

Capital expenditure comprised additions to property, plant and equipment, construction in progress and intangible assets.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

Financial year ended 31 December 2015

	Ready-to-serve	Frozen	Duck		
	food	vegetables	farming	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue (external customers)	246,613	14,700	6,246	2,679	270,238
Segment results	(66,513)	(2,623)	(23,232)	271	(92,097)
Other income					23,985
Unallocated costs					(297,903)
Finance costs					(4,753)
Loss before income tax					(370,768)
Income tax credit					897
Net loss for the financial year					(369,871)
Other segment information:					
Depreciation and amortisation					28,451
Interest income					78
Interest expense					4,753
Impairment loss on advance payments of land use rights, property, plant and equipment, construction in progress and intangible assets					257,966
Capital expenditure					13



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

Financial year ended 31 December 2014

	Ready-to-serve	Frozen	Duck		
	food	vegetables	farming	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue (external customers)	209,313	32,426	15,587	14,372	271,698
Segment results	(4,375)	(1,131)	(10,041)	2,882	(12,665)
Other income					20,272
Unallocated costs					(51,701)
Finance costs					(807)
Loss before income tax					(44,901)
Income tax expense					-
Net loss for the financial year					(44,901)
Other segment information:					
Depreciation and amortisation					24,827
Interest income					247
Interest expenses					807
Impairment loss on advance payments of land use rights, property, plant and equipment, construction in progress and intangible assets					6,412
Capital expenditure					56,997



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

The Group's revenue is categorised based on countries where the customers are located.

	Revenue	
	2015 RMB'000	2014 RMB'000
China	223,924	221,246
Japan	42,765	48,059
Europe	3,528	2,280
Others	21	113
	<u>270,238</u>	<u>271,698</u>

All non-current assets are located in the PRC.

31. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) Categories of financial assets and liabilities

The carrying amounts of various categories of financial assets and liabilities as at the end of the reporting period are as follows:

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Financial assets				
Loans and receivables	16,309	25,242	16	16
Financial liabilities				
Financial liabilities at amortised cost	158,799	61,132	34,954	33,792

(b) Financial risk management policies and objectives

The Group has documented financial risk management policies. These policies set out the Group's overall business strategies and its risk management philosophy. The Group's overall risk management strategy seeks to minimise potential adverse effects on the financial performance of the Group.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions and the Group's activities.

The following sections provide details regarding the Group's exposure to various financial risks and the objectives, policies and processes for the management of the risks.

Credit risk

Credit risk refers to the risk that counter-parties may fail to discharge their contractual obligations resulting in financial loss to the Group.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. At the end of the reporting period, approximately 85% (2014: 87%) of the Group's trade receivables were due from 1 (2014: 3) major external customer. There was no concentration of credit risk in the previous financial year. The maximum exposure to credit risk is represented by the carrying amount of each financial asset presented on the statements of financial position. Cash is placed with banks which are regulated.

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group.

There is no financial asset that is past due and/or impaired.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk is minimal as it has no variable rate borrowings. The borrowings as disclosed in Note 12 to the financial statements are fixed rate borrowings. The Group's policy is to obtain the most favourable interest rates available.

Liquidity risk

Liquidity risk refers to the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The Group maintains sufficient cash and cash equivalents, and internally generated cash flows to finance its activities. Where necessary, it can also obtain financing from its directors and management is satisfied that such funding is available when required.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

The table below analyses the maturity profile of the Group's financial assets and liabilities at the end of the reporting period based on contractual undiscounted payments:

Group

	1 year or less RMB'000	1 to 5 years RMB'000	Carrying amount RMB'000
2015			
Cash and cash equivalents	700	-	700
Trade and other receivables	15,609	-	15,609
Total undiscounted financial assets	16,309	-	16,309
Trade and other payables	117,170	-	117,170
Amount due to ex-shareholders	2,742	-	2,742
Amount due to a director	24,004	-	24,004
Borrowings	-	14,883	14,883
Total undiscounted financial liabilities	143,916	14,883	158,799
Total net undiscounted financial liabilities	(127,607)	(14,883)	(142,490)
2014			
Cash and cash equivalents	5,440	-	5,440
Trade and other receivables	19,802	-	19,802
Total undiscounted financial assets	25,242	-	25,242
Trade and other payables	16,305	-	16,305
Amount due to ex-shareholders	2,742	-	2,742
Amount due to a director	24,666	-	24,666
Borrowings	-	17,419	17,419
Total undiscounted financial liabilities	43,713	17,419	61,132
Total net undiscounted financial liabilities	(18,471)	(17,419)	(35,890)



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

Foreign currency risk

Foreign currency risk arises when transactions or balances are denominated in foreign currencies.

The Group is exposed to foreign currency risk mainly on its sales and purchases and other transactions that are denominated primarily in United States dollar (“USD”), Japanese Yen (“JPY”), Hong Kong dollar (“HKD”), Singapore dollar (“SGD”) and Malaysia ringgit (“RM”).

The Group does not enter into currency options and does not use forward exchange contracts for speculative trading purposes. The Group’s and Company’s main exposures to foreign currencies are as follows:

Group

	USD RMB'000	JPY RMB'000	HKD RMB'000	SGD RMB'000	RM RMB'000
2015					
Cash and cash equivalents	-	-	-	8	-
Trade and other receivables	1,813	-	-	-	8
Trade and other payables	-	-	-	(3,034)	(109)
Amount due to ex-shareholders	-	-	-	(2,742)	-
	<u>1,813</u>	<u>-</u>	<u>-</u>	<u>(5,768)</u>	<u>(101)</u>
2014					
Cash and cash equivalents	-	-	-	60	-
Trade and other receivables	1	5,716	1,633	9	8
Trade and other payables	-	-	-	(2,729)	(85)
Amount due to ex-shareholders	-	-	-	(2,742)	-
	<u>1</u>	<u>5,716</u>	<u>1,633</u>	<u>(5,402)</u>	<u>(77)</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

Company

	SGD RMB'000	RM RMB'000
2015		
Cash and cash equivalents	8	-
Trade and other receivables	-	8
Trade and other payables	(3,034)	(110)
Amount due to ex-shareholders	(2,742)	-
	<u>(5,768)</u>	<u>(102)</u>
2014		
Cash and cash equivalents	8	-
Trade and other receivables	-	8
Trade and other payables	(2,703)	(81)
Amount due to ex-shareholders	(2,742)	-
	<u>(5,437)</u>	<u>(73)</u>

Sensitivity analysis

A 3% strengthening of the Chinese renminbi against the following currencies at the reporting date would increase/(decrease) loss before tax as shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

Group

	2015 RMB'000	2014 RMB'000
United States dollar	54	-
Japanese yen	-	171
Hong Kong dollar	-	49
Singapore dollar	(173)	(162)
Malaysia ringgit	(3)	(2)
	<u>(122)</u>	<u>56</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

Company

	2015 RMB'000	2014 RMB'000
Singapore dollar	(173)	(163)
Malaysia ringgit	(3)	(2)
	<u>(176)</u>	<u>(165)</u>

A 3% weakening of the Chinese renminbi against the above currencies would have equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(c) Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain an adequate and efficient capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may issue new shares or obtain additional borrowings.

No changes were made to the policies or processes of capital management for the financial years ended 31 December 2015 and 31 December 2014.

The Group is not subject to any externally imposed capital requirements, except for a subsidiary of the Group as disclosed in Note 19 which is required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the subsidiary for the financial years ended 31 December 2015 and 2014.

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Fair value of financial instruments that are carried at fair value

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

Group

	Quoted prices in active markets for identical instruments (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
2015				
Non-financial assets:				
Biological assets	-	-	2,487	2,487
Financial liabilities:				
Borrowings	-	14,883	-	14,883
2014				
Non-financial assets:				
Biological assets	-	-	673	673
Financial liabilities:				
Borrowings	-	17,419	-	17,419

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - Quote prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

There has been no transfer between Level 1 and Level 2 fair value measurements during the financial years ended 2015 and 2014.

Information about significant other observable inputs used in Level 2 fair value measurements

The fair value of the borrowings (non-current) is calculated as present value of estimated future cash flows using interest rate for similar instrument at the date of inception of the borrowings.

Information about significant unobservable inputs used in Level 3 fair value measurements

The fair value of the biological assets is determined based on the actual selling prices approximating those at year end less estimated point-of-sale costs.

The movement in biological assets and valuation policies and procedures are disclosed and described in Note 11.

(b) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Management has determined that the carrying amounts of current financial assets and liabilities approximate their fair values because these instruments are short-term in nature.

33. SUPPLEMENTARY INFORMATION – BREAKDOWN OF ACCUMULATED PROFITS/(LOSSES) INTO REALISED AND UNREALISED

The breakdown of the accumulated profits/(losses) of the Group and of the Company as at 31 December 2015 into realised profit/(loss) and unrealised profit is presented in accordance with the directive issued by Bursa Securities dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to MMLR, as issued by the Malaysian Institute of Accountants.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Total accumulated profits/(losses) of the Company and its subsidiaries:				
- Realised profit/(loss)	95,457	457,756	(8,548)	(8,166)
- Unrealised profit	249	1,080	249	1,080
	<u>95,706</u>	<u>458,836</u>	<u>(8,299)</u>	<u>(7,086)</u>

34. SUBSEQUENT EVENTS

Subsequent to the end of the reporting period, the Company borrowed from banks an aggregate sum of RMB29,000,000 of which RMB10,000,000 is repayable in August 2016, RMB10,000,000 is repayable in January 2017 and the remaining RMB9,000,000 is repayable in March 2017. The borrowing bear interest at rate ranging from 4.968% to 7.467% per annum.

35. NEW OR AMENDED FRS AND INT FRS NOT YET EFFECTIVE

New standards, amendments to standards and interpretations that have been issued but not yet effective for the financial year ended 31 December 2015 have not been applied in preparing these financial statements. Management expects that the adoption of these new standards, amendments and interpretations will not have a material impact on the financial statements of the Group in the period of their initial application.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

36. STATUS OF REGULARISATION PLAN

Effective from 7 May 2013, the Company is a Practice Note 17 (“PN 17”) Company as it has triggered the following Prescribed Criteria under PN 17 pursuant to paragraph 8.04 and paragraph 2.1 (d) of PN 17 of the MMLR of Bursa Securities whereby “the auditors have expressed an adverse or disclaimer opinion in the listed issuer’s latest audited financial statements”. The PN17 criteria was triggered because of the Company’s audited financial statements for the financial year ended 31 December 2012 which the predecessor auditors, Paul Wan & Co, expressed a disclaimer of opinion on those financial statements. The special audits carried out by an advisory firm, BDO Governance Advisory Sdn Bhd, had proven the basis for such disclaimer of opinion to be unfounded. The management believes the current business remains viable. Being a PN 17 Company, Bursa Securities requires the Company to submit a regularisation plan by 7 May 2014.

On 6 May 2014, the Company announced that it had appointed SJ Securities Sdn. Bhd. (“SJ Securities”) as principal adviser to the Company in respect of the Company’s regularisation plan as required under PN 17 of the MMLR. In addition, the Company announced that SJ Securities had submitted an application to Bursa Securities for an extension of time of up to 4 months from 7 May 2014 to submit its regularisation plan (the “First Application”).

On 8 May 2014, Bursa Securities acknowledged that the Company had submitted the First Application. Consequently, the suspension on the trading of the Company’s securities and the delisting of the Company in accordance with Paragraph 8.04(5) of the MMLR shall be deferred, pending the outcome of the First Application.

In a letter dated 11 July 2014 in response to the First Application, Bursa Securities had granted an extension of time of 4 months up to 7 September 2014 for the Company to submit its regularisation plan to the regulatory authorities.

On 5 September 2014, the Company announced that SJ Securities had submitted a second application to Bursa Securities for an extension of time of up to 6 months to 7 March 2015 to submit its regularisation plan (the “Second Application”).

In a letter dated 14 December 2015 in response to the Second Application, Bursa Securities had granted an extension of time up to 30 April 2016 for the Company to submit its regularisation plan to the regulatory authorities. Further to the above, the Company informed that since becoming an Affected Listed Issuer on 7 May 2013, the Company has continued to invest in improving its facilities, introducing new products into the market and managing its costs structures, in its efforts to turnaround its business. However, these efforts are being hampered by poor market conditions and negative perceptions on duck meat due to the bird flu crisis. Concurrently with its turnaround plans, the Company is trying to procure suitable investors to inject new capital and/or new businesses into the Group, so that the regularisation plan can be implemented more expediently. As yet, no investors have been secured.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (cont'd)

In the latest announcement dated 1 March 2016, the Company, together with its advisers, are in the midst of procuring and assessing suitable investors to inject new capital and/or new businesses into the Group, which may involve a reverse takeover exercise or right issues. Should there be no suitable investors, the Company shall explore other available options in the best interest of the Company.



GROUP PROPERTIES PORTFOLIO

The landed property of the Group as at the date of this Annual Report is as follows:

(i) Land

Our subsidiary, Rizhao Hengbao has obtained the State-owned Land Use Right Certificates for the following ten (10) parcels of land, the details of which are set out below:

No.	Land No./ Location	State-owned Land Use Right Certificate No./ Certificate Issuance Date	Tenure/ Expiry of Tenure	Revaluation/ Acquisition	Land Area (Square Metres)	Audited NBV as at 31.12.2015 RMB'000
1.	1-3-1727-1/ East of Weixu Road South of Rizhao Road, Ju County Shandong Province, PRC ('Land I')	Juguoyong (2006) No.576/ 26.06.2006	37 years/ 03.09.2044	2015	6,406.00	1,212
2.	1-3-1727-2/ East of Weixu Road South of Rizhao Road, Ju County Shandong Province, PRC ('Land II')	Juguoyong (2006) No.577/ 26.06.2006	37 years/ 25.08.2044	2015	17,093.80	2,730
3.	1-3-1727-3/ East of Weixu Road South of Rizhao Road, Ju County Shandong Province, PRC ('Land III')	Juguoyong (2006) No.740/ 17.08.2006	49 years/ 02.07.2056	2015	17,170.10	3,509
4.	1-31-2467/ Jianhua Village, Yanzhuang Town North of Weifang Road, Ju County Shandong Province, PRC ('Land IV')	Juguoyong (2006) No.2050/ 22.12.2006	49 years/ 10.12.2056	2015	64,427.00	11,524
5.	2011-58/ Jianhua Village, DaZhangAnPo Village, Yanzhuan Town, Ju County Shandong Province, PRC ('Land V')	Juguoyong (2011) No.618/ 10.06.2011	49 years/ 06.06.2061	2015	27,187.45	5,130
6.	2011-5/Jianhua Village, DaZhangAnPo Village, Yanzhuan Town, Ju County Shandong Province, PRC ('Land VI')	Juguoyong (2011) No.518/ 10.06.2011	49 years/ 18.01.2061	2015	64,427.00	12,653
7.	2011-12/Huang Road, ZhuDi North Avenue, West, AnZhuang Town Ju County Shandong Province, PRC ('Land VII')	Juguoyong (2011) No.118/ 16.05.2011	49 years/ 19.01.2061	2015	58,196.00	9,411



GROUP PROPERTIES PORTFOLIO (cont'd)

No.	Land No./ Location	State-owned Land Use Right Certificate No./ Certificate Issuance Date	Tenure/ Expiry of Tenure	Revaluation/ Acquisition	Land Area (Square Metres)	Audited NBV as at 31.12.2015 RMB'000
8.	2011-10/Huang Road, ZhuDi North Avenue, West, AnZhuang Town Ju County Shandong Province, PRC ('Land VIII')	Juguoyong (2011) No.178/ 18.05.2011	49 years/ 19.01.2061	2015	68,814.00	11,128
9.	2011-2/Huang Road, ZhuDi North Avenue, West, AnZhuang Town Ju County Shandong Province, PRC ('Land IX')	Juguoyong (2011) No.511/ 12.05.2011	49 years/ 19.01.2061	2015	35,257.00	5,701
10.	2011-18/ ShiQuanGuanZhuang Village, QiShan Town, Ju County Shandong Province, PRC ('Land X')	Juguoyong (2011) No.377/ 23.05.2011	49 years/ 19.01.2061	2015	57,967.00	9,374
					416,945.35	72,372

(ii) Leasehold Buildings and Infrastructure

Details of the Leasehold Buildings and Infrastructure held by our subsidiary, Rizhao Hengbao are set out as below:-

No.	Location	Description/ Existing Use	Certificate of Real Estate Ownership No./ Certificate Issuance Date	Built-up Area (Square Metres)	Approximate Age (Years)	Revaluation/ Acquisition	Audited NBV as at 31.12.2015 RMB'000
1.	First Production Plant No.1, Juzhou Road, Ju Country Shandong Province PRC	5 blocks of single-storey factory building, a double-storey factory cum office building and a double-storey office building/ Production plant, warehouse and office	Ju Fang Quan Zheng Cheng Qu Zi No. 110503/ 17.08.2006	15,842.55	20 - 30	2015	6,649
2.	Second Production Plant North of Weifang Middle Road No.1, Ju Country Shandong Province PRC	A single-storey factory building and a five-storey workers' hostel/ Production plant, warehouse and workers' hostel	Ju Fang Quan Zheng Cheng Qu Zi No. 20092463/ 16.10.2009	12,224.63	7	2015	29,331



GROUP PROPERTIES PORTFOLIO (cont'd)

No.	Location	Description/ Existing Use	Certificate of Real Estate Ownership No./ Certificate Issuance Date	Built-up Area (Square Metres)	Approximate Age (Years)	Revaluation/ Acquisition	Audited NBV as at 31.12.2015 RMB'000
3.	<u>Third Production Plant</u> North of Weifang Road No.1, Ju County Shandong Province PRC	A single-storey factory building/ production plant	*	200,000	4	2015	5,776
4.	<u>Head Quarter & R&D Centre</u> North of Weifang Road No.1, Ju County Shandong Province PRC	An eight storey office building equipped with R&D facilities.	*	21,000	4	2015	25,078
5.	<u>Incubation Facilities</u> ZhuDi North Avenue, West AnZhuang Town, Ju County Shandong Province PRC	A single storey factory building /hatching plant	*	40,000	3	2015	28,020
6.	<u>Duck Farm 1</u> ZhuDi North Avenue, West, AnZhuang Town Ju County Shandong Province, PRC	A duck farm completed with 15 duck sheds	*	40,000	4	2015	15,878
7.	<u>Duck Farm 2</u> ZhuDi North Avenue, West, AnZhuang Town Ju County Shandong Province, PRC	A duck farm completed with 15 duck sheds	*	40,000	4	2015	14,351
8.	<u>Duck Farm 3</u> 2011-18 / ShiQuanGuanZhuan Village, QiShan Town, Ju County Shandong Province, PRC	A duck farm completed with 15 duck sheds	*	40,000	3	2015	17,794
9.	<u>2 storey shoplot</u> ZhuDi XiaZhuang Town Ju County Shandong Province, PRC	2 storey shoplot	*	200	4	2015	560
10.	<u>Slaughter House</u> North of Weifang Road No. 1, Ju County Shandong Province PRC	2 storey factory building / Production plant	*	27,187	2	2015	41,204
Grand Total							184,641

* The company has yet to receive certificate of real estate ownership as at todote.



SHAREHOLDING STATISTICS

AS AT 19 APRIL 2016

DISTRIBUTION OF SHAREHOLDINGS AS AT 19 APRIL 2016

Size Holdings	No. of shareholders	% of shareholders	No. of holdings	% of share
1 – 99	11	0.74	375	0.00
100 - 1,000	92	6.21	60,275	0.01
1,001 - 10,000	558	37.68	3,655,577	0.79
10,001 - 100,000	631	42.60	24,234,100	5.18
100,001 to less than 5% of issued shares	187	12.63	124,042,133	26.50
5% and above of issued shares	2	0.14	316,007,540	67.52
Total	1,481	100.00	468,000,000	100.00

SUBSTANTIAL SHAREHOLDERS

(ACCORDING TO THE COMPANY'S REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 19 APRIL 2016)

No.	Name	No. of Share held Direct	(%)	No. of Share held Indirect	(%)
1	Cartaban Nominees (Asing) Sdn Bhd Exempt An for LGT Bank Ag (Foreign) for Hengbao Foodstuffs Holding Limited	267,202,000	57.09	-	-
2	Shen Hengbao	-	-	267,202,000 ^(a)	57.09
3	Agro Treasures Sdn Bhd	48,805,540	10.43	-	-
4	Khazanah Nasional Berhad	-	-	48,805,540 ^(b)	10.43
5	Vida Incorporated Sdn Bhd	-	-	48,805,540 ^(b)	10.43

(a) Deemed interested by virtue of his interest in Hengbao Foodstuffs Holding Limited pursuant to Section 6A of the Malaysian Companies Act, 1965

(b) Deemed interested by virtue of its interest in Agro Treasures Sdn Bhd pursuant to Section 6A of the Malaysian Companies Act, 1965

DIRECTORS' INTERESTS IN SHARES AS AT 19 APRIL 2016

No.	Name	No. of Share held Direct	(%)	No. of Share held Indirect	(%)
1	Shen Hengbao	-	-	267,202,000 ^(a)	57.09
2	Meng Xiangzhen	-	-	-	-
3	Sun Shinmin	-	-	-	-
4	Yang Chin Shen	-	-	-	-
5	Ho Pui Hold	-	-	-	-

(a) Deemed interested by virtue of his interest in Hengbao Foodstuffs Holding Limited pursuant to Section 6A of the Malaysian Companies Act, 1965



SHAREHOLDING STATISTICS (cont'd)

AS AT 19 APRIL 2016

LIST OF TOP THIRTY (30) LARGEST SECURITIES ACCOUNTS HOLDERS (ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 19 APRIL 2016)

No.	Name of Shareholders	No. of Shares	%
1	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR LGT BANK AG (FOREIGN)	267,202,000	57.09
2	AGRO TREASURES SDN BHD	48,805,540	10.43
3	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR SIVA KUMAR A/L M JEYAPALAN (PB)	15,990,500	3.42
4	YONG KIM SIONG	8,255,000	1.76
5	SHAHIDAN BIN KASSIM	6,729,100	1.44
6	NEO SAY YEOW	6,396,000	1.37
7	LIEW KHEE CHONG	4,000,000	0.85
8	LING KAU @ LIM HONG MEOW	4,000,000	0.85
9	CHONG LOI TAI	3,312,200	0.71
10	P.G. DORAISAMY A/L P. GOPAL	3,183,500	0.68
11	CIMSEC NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR CIMB COMMERCE TRUSTEE BERHAD (11149-98)	3,136,900	0.67
12	CHIN CHIN SEONG	2,821,200	0.60
13	SPECIAL PORTFOLIO SDN BHD	1,800,000	0.38
14	YONG KON KWEE	1,800,000	0.38
15	LAI MUN LOONG	1,766,900	0.38
16	LOW PEY YOKE	1,606,000	0.34
17	YONG LAI ING	1,520,500	0.32
18	YEAT SIAW PING	1,459,500	0.31
19	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR SYARIKAT KEJURUTERAAN LETRIK SIM HOONG SDN BHD (PB)	1,248,000	0.27
20	WONG AH KOW	1,100,000	0.24
21	GEORGE TIONG SIY	1,076,075	0.23
22	LIEW KEK MIN	1,056,000	0.23
23	YONG SHIAU YUEN	1,045,300	0.22
24	LOW BENG HONG	1,044,900	0.22
25	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHD ANNAS BIN MD ISA (8079005)	1,035,300	0.22
26	TAN KOK MIN	1,028,500	0.22
27	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR ZAINUL AZMAN BIN ZAINUL AZIZ (MY2275)	1,000,000	0.21
28	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM GIM LEONG	960,200	0.21
29	LOO SEU MOY	950,500	0.20
30	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGE SECURITIES ACCOUNT FOR TEE KIM SOON (CCTS)	900,000	0.19
TOTAL		369,229,615	84.66



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Ninth Annual General Meeting of the Company will be held at the Banang II, Mutiara Johor Bahru, Jalan Dato Sulaiman, Taman Century, K.B No. 779, 80990 Johor Darul Takzim, Malaysia on Friday, 20 May 2016 at 10.00 a.m. for the following purposes:

AGENDA

1. To receive the Audited Financial Statements of the Company and of the Group for the financial year ended 31 December 2015 together with the Reports of the Directors and Auditors thereon. **(Ordinary Resolution 1)**
2. To re-elect Mr Ho Pui Hold, who retires pursuant to Article 111 of the Company's Articles of Association. **(Ordinary Resolution 2)**
3. To re-elect Mr Shen Hengbao, who retires pursuant to Article 104 of the Company's Articles of Association. **(Ordinary Resolution 3)**
4. To approve the payment of Directors' fees of RMB206,000 for the year ended 31 December 2015. **(Ordinary Resolution 4)**
5. To re-appoint Messrs UHY Lee Seng Chan & Co. as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 5)**

As Special Business

To consider and if thought fit, to pass the following Resolution:-

6. **Authority to Directors to Allot and Issue Shares** **(Ordinary Resolution 6)**

"THAT pursuant to the provisions of Section 161 of the Companies Act of Singapore, Cap. 50, and subject otherwise to the provisions of that Act and the Articles of Association of the Company, the Directors be and are hereby authorised to issue shares of the Company to such persons and on such terms and conditions and with such rights or restrictions as they may think fit to impose, provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being, and subject always to the approval of all the relevant regulatory bodies having been obtained for such allotment and issue, and that such authority shall continue in force until the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."
7. To transact any other business of the Company for which due notice shall have been given.

By Order of the Board,

SHEN HENGBAO
CHIEF EXECUTIVE OFFICER

28 April 2016



NOTICE OF ANNUAL GENERAL MEETING (cont'd)

NOTES ON APPOINTMENT OF PROXY:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member and / or a qualified legal practitioner, an approved company auditor or a person approved by the Registrar of Companies.
2. Where a member duly executes the form of proxy but does not name any proxy, such member shall be deemed to have appointed the Chairman of the meeting as his/their proxy, provided always that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the member.
3. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportion of his holding to be represented by each proxy.
4. Where a member of the Company is an exempt authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provision of subsection 25A(1) of the Central Depositories Act which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. In the case of a corporate member, the instrument appointing a proxy shall be under its Common Seal or under the hand of an officer or attorney, duly authorised.
6. The instrument appointing a proxy must be deposited at the Company's Registrar's Office in Malaysia at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time for holding the Meeting or any adjournment thereof.
7. For the purpose of determining a member who shall be entitled to attend the Ninth Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 13 May 2016. Only members whose name appears on the Record of Depositors as at 13 May 2016 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. Ordinary Resolution 6 : Authority to Directors to Allot and Issue Shares

The Proposed Ordinary Resolution 6, if passed, is a new General Mandate to empower the Directors to issue and allot shares up to an amount not exceeding 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the Company at a General Meeting, will expire at the next Annual General Meeting.

The General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s) workings capital and/or acquisitions.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

The Directors who are standing for re-election at the Ninth Annual General Meeting of the Company are:

- | | |
|---------------------|-------------------------|
| i) Mr Ho Pui Hold | (Ordinary Resolution 2) |
| ii) Mr Shen Hengbao | (Ordinary Resolution 3) |

The profile of the Directors standing for re-election for Resolutions 2 and 3 are shown on pages 3 to 5 of the Annual Report 2015.

The details of the Directors' attendance at Board Meetings are disclosed in the Corporate Governance Statement on page 14 of the Annual Report 2015.

The Ninth Annual General Meeting of the Company will be held at the Banang II, Mutiara Johor Bahru, Jalan Dato Sulaiman, Taman Century, K.B No. 779, 80990 Johor Darul Takzim, Malaysia on Friday, 20 May 2016 at 10.00 a.m.

PROXY FORM

I / We (Full Name in Block Letters) _____

NRIC No. / Passport No. / Company No. _____

of _____

being a member / members of **HB GLOBAL LIMITED**, hereby appoint _____

NRIC No. / Passport No. / Company No. _____

of _____

or failing him / her, _____

of _____

NRIC No. / Passport No. / Company No. _____

or failing him/her, the Chairman of the Meeting as my / our proxy to vote and act on my / our behalf at the Ninth Annual General Meeting of the Company to be held at the Banang II, Mutiara Johor Bahru, Jalan Dato Sulaiman, Taman Century, K.B No. 779, 80990 Johor Darul Takzim, Malaysia on Friday, 20 May 2016 at 10.00 a.m. and at any adjournment thereof.

The proportion of my/our* holding to be represented by my/our* proxies are as follows:

First Proxy (1) Second Proxy (2)

My/our* proxy is to vote as indicated below:-

NO.	RESOLUTIONS	FOR	AGAINST
	Ordinary Resolutions		
1.	To receive the Audited Financial Statements for the year ended 31 December 2015 and Reports of the Directors' and Auditors thereon.		
2.	To re-elect Mr Ho Pui Hold as Director.		
3.	To re-elect Mr Shen Hengbao as Director.		
4.	To approve the payment of Directors' fees.		
5.	To re-appoint Messrs UHY Lee Seng Chan & Co. as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.		
6.	As special business, to approve the ordinary resolution pursuant to Section 161 of the Companies Act of Singapore, Cap.50.		

Please indicate with "X" where appropriate against each resolution how you wish to cast your vote. In the absence of specific directions, the proxy may vote or abstain from voting in the resolutions as he / she may think fit.

Signature of Shareholder(s)

(If shareholder is a corporation, this part should be executed under seal)

Date : _____

NOTES:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member and / or a qualified legal practitioner, an approved company auditor or a person approved by the Registrar of Companies.
2. Where a member duly executes the form of proxy but does not name any proxy, such member shall be deemed to have appointed the Chairman of the meeting as his/their proxy, provided always that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the member.
3. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportion of his holding to be represented by each proxy.
4. Where a member of the Company is an exempt authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provision of subsection 25A(1) of the Central Depositories Act which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. In the case of a corporate member, the instrument appointing a proxy shall be under its Common Seal or under the hand of an officer or attorney, duly authorised.
6. The instrument appointing a proxy must be deposited at the Company's Registrar's Office in Malaysia at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time for holding the Meeting or any adjournment thereof.
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Fold here

Please affix
postage stamp
here

The Company Registrar's Office in Malaysia
HB GLOBAL LIMITED
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46, 47301 Petaling Jaya
Selangor Darul Ehsan

Fold here



恒宝环球

HB GLOBAL LIMITED

(Company Registration No.:200608505W)

(Incorporated in Singapore under the Companies Act (Chapter 50) of Singapore)

(Malaysian Foreign Company Registration No.: 995221-H)

(Registered as a foreign company in Malaysia under the Companies Act, 1965 of Malaysia)