恒宝环球

HB GLOBAL LIMITED

ANNUAL REPORT 2016



(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)

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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 Kong Siang *(Acting Secretary)*

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Suite 10.03, Level 10
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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

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Email: hengbao@hengbaofood.com
Website: www.hengbaofood.com

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Singapore 048616

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Malaysia
Telephone No.: + 6 (03) 7841 8000
Facsimile No.: + 6 (03) 7841 8151

Principal Bankers
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(Ju County Branch)
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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

Shen Hengbao (申恒宝)

Shen Hengbao, a national of the People's Republic of China ("PRC"), male, aged 55, 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 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 his Masters in Business Administration from the Graduate School of the Chinese Academy of Social Sciences in 1998. He also obtained his 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 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 Import and Export Company 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 food companies), he successfully grew Rizhao Hengbao into a well established food export company over a short time span.

Meng Xiangzhen (孟祥贞)

Meng Xiangzhen, a national of PRC, female, aged 50, 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 food 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 accounts department. In 1999, she re-joined Ju County Shanfu Foodstuffs Co., Ltd as deputy general manager where she established an invaluable network of contacts in the food industry, and gained valuable experience in managing food related operations.

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

Sun Shimin (孙世民)

Professor Sun Shimin, a national of PRC, male, aged 55, 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 his Master in Engineering Project Management in 1996 from the College of Mechanical and Electronic Engineering of Shandong Agricultural University and subsequently in 2003, obtained his 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, male, aged 40, 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 Malaysian Institute of Accountants (MIA) and holds a Bachelor of Business in Accountancy from Queensland Univerisity of Technology, Australia (with Distinction).

He has over 18 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.

Ho Pui Hold (何沛豪)

Ho Pui Hold, a Malaysian, male, aged 35, 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 over 12 years of professional experience in auditing, banking and corporate finance. He started his career in 2004 by joining a Singapore advisory firm as IPO consultant where he participated in a few successful listing of companies in Singapore Exchange. He then joined Ernst & Young as Senior Audit Associate until 2009 before he left to join AmBank (M) Berhad – Corporate & Institutional Banking. In the bank, he was responsible for client credit evaluation and marketing of the Bank's products mainly in debt capital market, offshore loan syndication, corporate finance advisory and treasury products. To further advance his career, he took up the Chief Financial Officer position in a Bursa Malaysia listed foreign company until 2013. He now sits on the board of Aturmaju Resources Berhad, Milux Corporation Berhad, Malaysia Pacific Corporation Berhad and Multi-Usage Holdings Berhad, companies listed on Main Market of Bursa Malaysia Securities Berhad.

Note :

Save for disclosed above, none of the Directors hold directorships in any other public companies, have any family relationship with any director and / or major shareholder of the Company nor any conflict of interest with the Company and has no conviction for any offences within the past 5 years other than traffic offences, if any.

Ang Kong Siang

Ang Kong Siang, a Malaysian, male, aged 44, was appointed as Chief Financial Officer of the Company on 1 December 2013. Currently, he also assists in corporate secretarial duties of the Company. He is a fellow member of the Association of Chartered Certified Accountants (FCCA), United Kingdom and a member of Malaysian Institute of Accountants (MIA) and holds a Master Science of Finance from University of Portsmouth (UK).

Mr Ang has accumulated over 7 years of professional experience in auditing and corporate advisory. Prior to his appointment as Chief Financial Officer of the Company, he was the group accountant for few private companies and Chief Financial Officer for companies listed in Singapore and Malaysia.

Mr Ang does not hold any directorships in any public companies. He has no relationship with any Director and/or major shareholder(s) of the Company. He does not have any conflict of interest with the Company and has no conviction of any offences within the past 5 years other than traffic offences, if any.

On behalf of the Board of Directors of HB Global Limited ("the Company") and its subsidiaries (collectively known as "the Group"), it gives me great pleasure to present the Annual Report and the Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2016.

Overview

HB Global Limited ("the Company") and its subsidiaries (collectively known as "the Group") are primarily a food processing company specialising in production of wide variety of Ready-To-Serve food ("RTS") known for its highest and stringent quality that adhere to international standards catered for the global food industry. Constant research and development are carried out on the RTS to develop new products and improve on the existing products. These include market survey, food design and development.

The details of our subsidiaries as well as their principal activities are set out in the table below:

Name of company	Effective equity interest (%)	Principal activities
Shandong Hengbao Foodstuffs Co., Ltd ("SHF")	100	Processing, packaging and producing various types of food activities
Juxian Hengbao Farming Co., Ltd ("JHF")	100	Rearing and trading of livestocks, temporarily ceased operation
Juxian Wan Hui Food Co., Ltd	90	Dormant
Juxian Houz Best Food Co., Ltd	90	Dormant

Prospects

We believe that our quality and production capabilities are our unique competencies. Ever since the Group was established in 2005, our goal has been to exceed our customers' expectations and their needs. In our commitment to consistently strive for excellence, we always ensure that we are able to provide our customers with clean, healthy, delicious and high quality products and we have consistently realise their goals. We are also constantly improving ourselves by enhancing existing production facilities and products chain to yield higher cost efficiency and improved performance, and striving to attain a more competent production cycle.

Our customers come from different geographical areas such as Japan, Europe, Australia, United States of America and South East Asia. In year 2016, the Group had identified China, its own territory as growth potential given that we are well located within China and would be able to respond well and quickly to any changes in demand from the local customers.

In the past, our products were export driven with our main market heavily focusing on Japan. Presently, our high quality RTS products are HACCP compliant and some of them are HALAL compliant. This has allowed the Group to explore and enter new markets.

Financial Review

2016 remained a challenging year for the Group due to the weak global economy. Our revenue decreased by RMB125.0 million or 46.3% from RMB270.2 million in financial year ended 31 December 2015 ("FYE2015") to RMB145.2 million in financial year ended 31 December 2016 ("FYE2016"). The decrease was mainly due to the decrease in sales of both Ready-To-Serve ("RTS") products and duck farming products. Following the cessation of our duck farming segment in July 2016 which found to be an unsuccessful segment that had taken a toll on the Group's past performances and liquidity, the Group can now move on to channel its resources and focus on its core strength in the RTS products. The decrease in sales of RTS products were mainly due to stiff competition from food producers in Thailand and also depreciation of Japanese Yen against Chinese Renminbi ("RMB") which turned out to be unfavourable to the Group as our Japanese customers were price sensitive due to their stagnant economy since past few years.

The Group has improved its Gross Profit ("GP") margin from a negative 34.1% in FYE2015 to a positive 10.1% in FYE2016. This has marked an improvement since the Group ceased the duck farming segment in July 2016, focusing its resources on profitable RTS segment, albeit the low margin yet profitable as compared to the duck farming which was running at a gross loss in prior year.

Other operating income decreased by RMB15.2 million from RMB24.0 million in FYE2015 to RMB8.8 million in FYE2016. Included in other operating income for FYE2015 were reversal of impairment on property, plant and equipment of RMB21.8 million, fair value adjustment on biological assets of RMB1.0 million, interest income and exchange difference of RMB1.2 million. Whereas in FYE2016, other operating income included reversal of impairment on property, plant and equipment of RMB5.5 million, gain on disposal of biological assets RMB2.3 million, exchange gain of RMB0.4 million and rental and interest income of RMB0.5 million.

Selling and distribution expenses increased by RMB0.8 million in FYE2016 as a result of higher transportation and freight charges, travelling expenses and marketing fees as the Group explored new territories to gain new customers and visited local customers in various provinces.

General and administration expenses had decreased by RMB11.2 million in FYE2016 mainly due to the decrease in staff salaries and related expenses of RMB1.3 million, utilities of RMB2.2 million, Tokyo office expenses of RMB0.5 million and other general expense in FYE2016 as a result of cost cutting measures undertaken by the Group to keep the costs lean and preserve as much liquidity to tide thru this trying period.

Other operating expenses had decreased by RMB254.3 million in FYE2016 mainly due to impairment loss on property, plant and equipment for RMB257.9 million. In FYE2015, it is fair value gain on disposal of biological assets as a result of the adverse valuation results carried out by a professional valuer in FYE2015 and no major impairment was noted in FYE2016.

The significant decrease in net loss before taxation of RMB346.5 million in FYE2016 is mainly due to the gross loss of our products and the continuous loss incurred on duck farming business and the significant impairment losses on property, plant and equipment during FYE2015, while FYE2016 showed signs of gradual turnaround following the cessation of our duck farming segment in July 2016.

Net cash generated from operating activities improved in FYE2016 to RMB7.8 million from net cash used in operating activities of RMB95.3 million was mainly due to the reduction of significant losses incurred during the FYE2016 and the extended repayment period to trade and other payables.

The Group maintains a reasonable level of inventories and monitors its receivables and payables closely so as to allow a sustainable cash conversion cycle for the Group's operations to be running uninterrupted.

With a debt ratio of less than 1 for both years and operating gross profit margin, management expects that the Group should have sufficient cash flows to meet both short-term and long-term liabilities. Japan continues to remain as our key export market and the Group will continue to explore new territories in search of new customers.

Operations Review

The Group's expenditure are classified into five components, namely, costs of sales, selling and distribution expenses, general administrative expenses, other operating expenses and finance costs.

The year under review saw costs of sales taking up the highest percentage of the Group's expenditure at 73.0%. Whilst selling and distribution expense is at 1.4%, general administrative expenses at 13.9%, other operating expenses at 3.3% and finance costs at 8.4% of total expenditure. The Group incurred finance costs from the short-term loan from banks and private institutions.

There are several primary factors that affected the Group's activities during the year under review. The appreciation of the RMB against Japanese Yen during the year had a direct impact on our operations as our major export market was Japan. Consequently, the Group's revenue was affected.

The Group's performance has improved in the second half of 2016 onwards following the cessation of duck farming segment in July 2016. From a gross loss operation prior to second half of 2016 to gross profit operation from second half of 2016 onwards had shown some gradual signs of turnaround.

2016 saw the Group spending RMB4.9 million in capital expenditure, most of which were used to complete certain committed contracts signed for duck farming segment and they were completed in early 2016. This is in line with management decision to suspend expansion of duck farming segment.

In recognising the volatile nature of the currency market and quick changing of global lifestyle, the Group has contingency plans on hand in order to mitigate unnecessary risks. The management adopts a tight control operating model to minimise costs and to improve efficiency in our operations.

A Cautiously Optimistic Future

As the global and local economies remain challenging, our customers continue to remain cautious in placing their orders. Nonetheless, the Group is poised to perform better after the cessation of the duck farming segment which was a thorn in the past, as the Group can now stay focus in doing what they were originally known for in its RTS products. Barring any unforeseen circumstances, the Group should remain operationally profitable and hope to see the end of gross loss situations.

We do not expect any significant changes in our principal geographical areas of distribution and product group contributions. However, factors that will play a hand in determining our performance next year include fluctuations in Japanese Yen and RMB, material shortages or fluctuations in material prices and increasing labour costs due to manpower shortages or changes in minimum pay policy. In order to address the aforementioned issues, we aim to enhance our suppliers' relationships so as to tap into our suppliers' capabilities and understanding. This way, we will be able to minimise supply risk exposure, increase our responsiveness to market changes and shorten our order fulfilment lead times.

Additionally, in ensuring management efficiency, the Group recognises that economies of scale play an important role in improving our productivity ratio. With that in mind, the Group will endeavour to encourage positive performances and improved business processes. Consequently, the Group aspires to eliminate unnecessary work that consumes time without adding value, simplify tasks that can contribute to product quality services, and implement new systems that are able to improve our overall processes and ensure quality outcome.

The Group is still under PN17 status despite the positive outcomes from the special audit and the following year's audit, as the Group was unable to show net profits since then as a result of the bird flu which had such a devastating impact on the Group's performance ever since the Group embarked on the duck farming segment. With the cessation of duck farming segment in July 2016, management will continue to endeavour to turnaround the Group so as to be able to meet the two consecutive quarters profits as required to uplift the PN17 status and continue to evaluate suitable candidates or investors with restructuring exercise either through assets injection, right issues or placement shares. In the interest of our shareholders, the Group will only consider suitable candidates or investors that share our same object to raise the value of the Group. Nevertheless, any extension of time is subject to the approval of the relevant authorities.

For 2017, the Group does not foresee any need to spend huge on capital expenditure as in the past given the under usage of its production capacities. The Group will channel more efforts on market research and development in its efforts to capture new market share and new customers.

Should there be any major development or event, the Group will ensure timely and accurate announcement of any material information concerning the Group to the public.

Appreciation

The Group would like to extend our heartfelt gratitude to all our stakeholders who have supported us through the thicks and thins. These include our valued customers, business associates, vendors, relevant authorities, bankers, financiers and investors. The Group also takes this opportunity to acknowledge the contributions of our amazing management and staff members who have worked tirelessly to help us attain our goals as well as the Board of Directors for their invaluable guidance. We look forward to your continued support in the coming year.

Shen Hengbao
Group Chief Executive Officer

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 maintain its food processing plants to continue create employment opportunities for the local community. Duck farming segment will create employment opportunities as well when duck prices turn around and increase demands from customer for duck meat products.

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 2012 ("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 2016 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.

The Board has a formal schedule of matters reserved to itself for decision, which includes the overall Group strategy and direction, investment policy, major capital expenditures, consideration for significant financial matters and review of the financial and operating performance of the Group.

The Board understands the principal risks of all aspects of the business that the Group is engaged in and recognises that business decisions require the incurrence of risk. To achieve a proper balance between risks incurred and potential returns to shareholders, the Board ensures that there are systems in place that effectively monitor and manage these risks view of the long term viability of the Group.

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 4 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 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 encourages to actively participate in the decision making process.

Independent Chairman

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 current 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.

Boardroom Diversity

The Board is aware of the importance of boardroom diversity and is supportive of the recommendation of MCCG to the establishment of boardroom and workforce gender diversity policy. However, 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.

The roles and responsibilities of the Independent Non-Executive Directors and Executive Directors are clearly defined and properly segregated. All the Independent Non-Executive Directors are independent of the Executive Directors, management and major shareholders of the Company, and are free from any business or other relationship with the Group that could materially interfere with the exercise of their independent judgement. This offers a strong check and balance on the Board's deliberations.

The Executive Directors are responsible for the overall performance and operations as well as the corporate affairs and administrations of the Group. They are assisted by the senior management personnel of the Group in managing the business activities of the Group in the manner that is consistent with the policies, standards, guidelines, procedures and/or practices of the Group and in accordance with the specific plans, instructions and directions set by the Board.

The CEO holds the principal obligations in focusing, guiding, addressing, supervising, regulating, managing and controlling as well as communicating the Company's goals and objectives, as well as all significant corporate matters, corporate restructuring plans, business extension plans and proposals. The CEO, assisted by other Executive Directors, is also responsible for proposing, developing and implementing applicable and relevant new policies and procedures.

The Independent Non-Executive Directors of the Company play a key role in providing unbiased and independent views, advice and contributing their knowledge and experience toward the formulation of policies and in the decision making process. The Board structure ensures that no individual or group of individuals dominates the Board's decision-making process. Although all the Directors have equal responsibility for the Company and the Group's operations, the role of the Independent Directors are particularly important in ensuring that the strategies proposed by the Executive Directors are deliberated on and have taken into account the interest, not only of the Company, but also that of the shareholders, employees, customers, suppliers and the community.

In discharging its fiduciary duties, the Board has delegated specific tasks to three (3) Board Committees namely the Audit Committee, Nomination Committee and Remuneration Committee. All the Board Committees have their own terms of reference and have the authority to act on behalf of the Board within the authority as lay out in the terms of reference and to report to the Board with the necessary recommendation.

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 and Ethics, 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 Ethics 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.

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.

Continuing Education Programs

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	• Pre-Admission Course (PAC) Training – Auditing • Forming Audit Opinion on Financial Statements SSA 700, 705 and 706 • Ethics - Reinforced 2016 • Anti-Money Laundering regulatory focus in Singapore • Amendments to FRS 12 *Recognition of Deferred Tax Assets for Unrealised Losses* • Amendments to FRS 115 *Clarifications* to FRS 115 *Revenue from Contracts with Customers* • FRS 116 *Leases*
Ho Pui Hold	• Tax issue for Land Traders, Investors and Property Developers organised by MIA • Future of Auditor Reporting- The Game Changer for Boardroom organised by Bursa Securities • Nominating Committee Programme Part 2: Effective Boards Evaluations organised by Bursa Securities • Fraud Risk Management Workshop organised by Bursa Securities

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.

Access to Information and Advice

Unless otherwise agreed, notice of each meeting confirming the venue, time, date and agenda of the meeting together with relevant Board papers shall be forwarded to each director no later than two (2) days before the date of the meeting. This is to ensure that Board papers comprising of due notice of issues to be discussed and supporting information and documentations were provided to the Board sufficiently in advance. Furthermore, Directors are given sufficient time to read the Board paper and seek for any clarification as and when they may need advisers or further explanation from management and Company Secretary. The deliberations of the Board in terms of the issues discussed during the meetings and the Board's conclusions in discharging its duties and responsibilities are recorded in the minutes of meetings by the Company Secretary.

The Board has unrestricted access to all information within the Company as a full Board to enable them to discharge their duties and responsibilities and is supplied on a timely basis with information and reports on financial, regulatory and audit matters by way of Board papers for informed decision making and meaningful discharge of its duties.

In addition, external advisers are invited to attend meetings to provide insights and professional views, advice and explanation on specific items on the meeting agenda, when required. Senior management team from different business units are also invited to participate at the Board meetings to enable all Board members to have equal access to the latest updates and developments of business operations of the Group presented by the senior management team. The Chairman of the Board Committees, namely, the Audit Committee, Nomination Committee and Remuneration Committee briefs the Board on matters discussed as well as decisions taken at the meetings of their respective Board Committees meetings.

When necessary, Directors may whether as a full Board or in their individual capacity, seek independent professional advice, including the internal and external auditors, at the Company's expense to enable the directors to discharge their duties with adequate knowledge on the matters being deliberated, subject to approval by the Chairman of the Board, and depending on the quantum of the fees involved.

Qualified and Competent Company Secretaries

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.

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.

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 25 to 28 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)

Members
Shen Hengbao
(Chief Executive Officer)

Yang Chin Shen
(Independent Non-Executive Director)

The summary of activities undertaken by the Remuneration Committee during the financial year included the following:

(a) Reviewed and recommended the payment of Directors' fees to Non-Executive Directors; and

(b) Reviewed and recommended the Executive Directors remuneration package.

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

Chairman
Ho Pui Hold
(Independent Non-Executive Director)

Members
Yang Chin Shen
(Independent Non-Executive Director)

Sun Shimin
(Independent Non-Executive Director)

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;

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 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 summary of activities undertaken by the Nomination Committee during the financial year included the following :

i) Reviewed the effectiveness of the Board, as a whole, Board Committees and individual Directors and make appropriate recommendation to the Board; and

ii) Reviewed and recommended the retirement and re-election of Directors at the forthcoming Annual General Meeting in accordance with the Company's Articles of Association.

Criteria for Board Assessment

The Nomination Committee would conduct an assessment of the performance of the Board, as a whole, Board Committees and individual Directors, based on a self assessment approach on an annually basis. From the results of the assessment, including the mix of skills and experience possessed by Directors, the Board will consider and approve the recommendations on the re-election and re-appointment of Directors at the Company's forthcoming Annual General Meeting, with a view to meeting current and future requirements of the Group.

The criteria used by the Nomination Committee in evaluating the performance of individual, including contribution to interaction, integrity, competency and time commitment of the members of the Board and Board Committees in discharging their duties, are in a set of questionnaires. Each of the Directors will perform a self assessment on an annually basis. The Board did not engage any external party to undertake an independent assessment of the Directors.

Based on the assessment conducted for the financial year 2016, the Board and the Nomination Committee is satisfied with the current size, composition as well as the mix of qualifications, skills and experience among the Board members and the independence of its Independent Non-Executive Directors.

Annual Assessment of Independence

Annual assessments will be conducted by Nomination Committee on an annually basis and the criteria for assessment covers areas such as contributions to interaction, roles and responsibilities and quality of input to enhance the Board's effectiveness. The independence of Independent Directors was assessed based on their relationship with the Group and their involvement in any significant transactions with the Group including their ability to exercise independent judgment at all times and based on the criteria set out in the Listing Requirements of Bursa Securities.

Based on the assessment carried out during the financial year ended 31 December 2016, the Board is satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interests of the Company during the financial year under review, and that each of them continues to fulfill the definition of independence as set out in the Listing Requirements of Bursa Securities.

Criteria for Recruitment

The appointment of new Directors is the responsibility of the full Board after considering the recommendations of the Nomination Committee. As a whole, the Company maintains a very lean number of Board members. New appointees will be considered and evaluated by the Nomination Committee. The Nomination Committee will then recommend the candidates to be approved and appointed by the Board. The Company Secretary will ensure that all appointments are properly made, and that legal and regulatory obligations are met.

Generally, the Board adopts a flexible approach when selecting and appointing new directors depending upon the circumstances and timing of the appointment. The Nomination Committee will help assess and recommend to the Board, the candidature of directors, appointment of directors to board committees, review of Board's succession plans and training programmes for the Board.

In assessing suitability of candidates, consideration will be given to the core competencies, commitment, contribution and performance of the candidates to ensure that there is a range of skills, experience and diversity (including gender diversity) represented in addition to an understanding of the business, the markets and the industry in which the Group operates and the accounting, finance and legal matters.

In general, the process for the appointment of director to the Board is as follows:

(i) The Nomination Committee reviews the Board's composition through Board assessment/evaluation;

(ii) The Nomination Committee determines skills matrix;

(iii) The Nomination Committee evaluates and matches the criteria of the candidates, and will consider diversity, including gender, where appropriate;

(iv) The Nomination Committee recommends to the Board for appointment; and

(v) The Board approves the appointment of the candidates.

Factors considered by the Nomination Committee when recommending a person for appointment as a director include:

(i) the merits and time commitment required for a Non-Executive Director to effectively discharge his or her duties to the Company;

(ii) the outside commitments of a candidate to be appointed or elected as a Non-Executive Director and the need for that person to acknowledge that they have sufficient time to effectively discharge their duties; and

(iii) the extent to which the appointee is likely to work constructively with the existing directors and contribute to the overall effectiveness of the Board.

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.

Upon the recommendation of the Nominating Committee and the Board, the Directors who are standing for re-election and re-appointment at the forthcoming Annual General Meeting of the Company to be held in 2017 are as stated in the Notice of Annual General Meeting.

Tenure of Independent Directors

Currently, the Board does not have a policy on the tenure for Independent Directors as the Board is of the view that a term of more than nine (9) years may not necessary impair independence and judgement of an Independent Director and therefore the Board does not deemed it appropriate to impose a fixed term limit for Independent Directors at this juncture.

However, as recommended by the MCCG, the tenure of an independent director should not exceed cumulative term of nine (9) years. Upon completion of the nine (9) years, an independent director may continue to serve on the Board subject to the director's re-designation as a non-independent director. In the event the Board intends to retain such Director as Independent Director after the latter has served a cumulative term of nine (9) years, the Board must justify the decision and seek shareholders' approval at a general meeting, normally the annual general meeting of the Company.

As at the date of this statement, none of the independent directors had served the Company for more than nine (9) years as per the recommendations of MCCG.

Time Commitment and Directorship in Other Public Listed Companies

The directorships in other public listed companies in Malaysia held by any Board member at any one time shall not exceed any number as may be prescribed by the relevant authorities. In addition, at the time of appointment, the Board shall obtain the Director's commitment to devote sufficient time to carry out his responsibilities. Directors are required to notify the Chairman before accepting any new directorship(s). The notification would include an indication of time that will be spent on the new appointment(s). Any Director is, while holding office, at liberty to accept other Board appointment in other companies so long as the appointment is not in conflict with the Company's business and does not affect the discharge of his/her duty as a Director of the Company. To ensure the Directors have the time to focus and fulfill their roles and responsibilities effectively, one (1) criterion as agreed by the Board is that they must not hold directorships at more than five (5) public listed companies as prescribed in Paragraph 15.06 of the Listing Requirements.

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

The Directors have demonstrated their ability to devote sufficient time and commitment to their roles and responsibilities as Directors of the Company. The Board is satisfied with the level of time and 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 in the section below.

Board Meetings

The Board meets on a quarterly basis, with amongst others, to deliberate and approve the financial results of the Group, corporate plans, acquisition and disposal of assets, investment proposals and other pertinent issues of the Group. Where any direction or decisions are required expeditiously or urgently from the Board between the regular meetings, special Board meetings maybe convened by the Company Secretary, after consultation with the Chairman. 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 2016 and the summary of attendance at the Board meetings is as follows:

Name of Directors	Attendance	Percentage of Attendance
Shen Hengbao	4/4	100%
Meng Xiangzhen	3/4	75%
Sun Shimin	2/4	50%
Yang Chin Shen	4/4	100%
Ho Pui Hold	4/4	100%

All the Directors complied with the minimum 50% attendance requirement in respect of Board meetings held during the financial year ended 31 December 2016.

B. REMUNERATION OF DIRECTORS

The Board believes in a remuneration policy that fairly supports the Directors' responsibilities and fiduciary duties in steering the Group to achieve its long-term goals and enhance shareholders' value. The Board offers a competitive remuneration package in order to attract, develop and retain talented individuals to serve as directors.

The Remuneration Committee's principal objective is to evaluate, deliberate and recommend to the Board a remuneration policy for Executive Directors that is fairly guided by market norms and industry practice. The Remuneration Committee also recommends the Executive Directors' remuneration and benefits based on their individual performances and that of the Group.

The determination of the remuneration for Non-Executive Directors is a matter of the Board as a whole. The level of remuneration for Non-Executive Directors reflects the amount paid by other comparable organisations, adjusted for the experience and levels of responsibilities undertaken by the particular Non-Executive Directors concerned. The remuneration package of Non-Executive Directors will be a matter to be deliberated by the Board, with the Director concerned abstaining from deliberations and voting on deliberations in respect of his individual remuneration. In addition, the Company also reimburses reasonable out-of-pocket expenses incurred by all the Non-Executive Directors in the course of their duties as Directors of the Company. The aggregate annual Directors' fees are to be approved by shareholders at the Annual General Meeting based on recommendations of the Board.

Details of the Directors' remuneration paid or payable to all Directors of the Company (both by the Company and the Group) and categorised into appropriate components for the financial year ended 31 December 2016 are as follows:

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

	Company		Group	
Director	Fees (RMB'000)	Salaries and * other emoluments (RMB'000)	Fees (RMB'000)	Salaries and * other emoluments (RMB'000)
Executive Directors	-	-	20	1,511
Non-Executive Directors	264	-	264	-
Total	264	-	284	1,511

**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 RMB, which is in compliance with the disclosure requirements under Listing Requirements are as follows:

	Number of Directors			
	Company		Group	
Range of Remuneration	Executive	Non-Executive	Executive	Non-Executive
RMB50,000 and below	-	-	-	1
RMB50,001 to RMB100,000	-	2	-	2
RMB200,001 to RMB250,000	1	-	1	-
RMB900,001 to RMB950,000	1	-	1	-

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. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Corporate Disclosure Policies and Procedures

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

In order to maintain its commitment of effective communication with shareholders, the Group embrace the practice of comprehensive, timely and continuing disclosures of information to its shareholders as well as the general investing public.

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.

Leverage on Information Technology for Effective Dissemination of Information

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.

Shareholders and investors may also forward their queries to the Company via email to ph.hbglobal@gmail.com.

Dialogue with Shareholders

In addition to the dissemination of information to shareholders and other interested parties via announcements to Bursa Securities, its website, circulars and press releases, the Board is of the view that the annual and any extraordinary general meetings as ideal opportunities to communicate with shareholders.

The Chairman or the Chief Executive Officer of the Company will brief shareholders on the Company's projects and elaborate further on proposals for which the approval of shareholders is being sought at the general meeting.

Whilst the Company aims to provide as much information as possible to its shareholders, it is also mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

D. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Annual General Meeting

The Annual General Meeting ("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. The Notice of AGM, which sets out the business to be transacted at the AGM, is also published in a major local newspaper. The Board will ensure that each item of special business included in the notices of the AGM or extraordinary general meeting is accompanied by a full explanation of the effects of any proposed resolution. At the AGM, the Board will present to 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 there at, where they will be given the opportunity to raise questions or seek more information during the AGM. Informal discussions between the Directors, senior management staff, the shareholders and investors are always active before and after the general meetings.

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.

Poll Voting

In line with Paragraph 8.29A of the Listing Requirements, the Company will ensure that any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, is voted by poll. At the same time, the Company will appoint at least one (1) scrutineer to validate the votes cast at the general meeting.

Effective Communication and Proactive Engagement

The Group maintains its effective communication with shareholders by adopting timely, comprehensive, and continuing disclosures of information to its shareholders as well as the general investing public and adopts the best practices recommended by the MCCG with regards to strengthening engagement and communication with shareholders.

To this end, the Group relies on the following channels for effective communication with the shareholders and stakeholders:

i) Interim financial reports to provide updates on the Group's operations and business developments on a quarterly basis;

ii) Annual audited financial statements and annual report to provide an overview of the Group's state of governance, state of affairs, financial performance and cash flows for the relevant financial year;

iii) Corporate announcements to Bursa Securities on material developments of the Group, as and when necessary and mandated by the Listing Requirements; and

iv) Annual General Meetings.

Shareholders and stakeholders may raise their concerns and queries by contacting the Registered Office of the Group, the details of which as provided under the "Corporate Information" section of this Annual Report. The Share Registrar is also available to attend to administrative matters relating to shareholder interests.

E. UPHOLD INTEGRITY OF FINANCIAL REPORTING

Compliance with Applicable Financial Reporting Standards

The Board strives to provide shareholders with a balanced and meaningful evaluation of the Group's financial performance, financial position and prospects through the annual audited financial statements, interim financial reports, annual report and announcements to Bursa Securities.

The interim financial reports, annual audited financial statements and annual report of the Group for the financial year ended 31 December 2016 are prepared in accordance with all applicable accounting policies. The Board is assisted by the Audit Committee in overseeing the financial reporting processes and ensuring the quality of its financial reporting.

Assessment of Suitability and Independence of External Auditors

The Company has established a transparent arrangement with the External Auditors to meet their professional requirements. From time to time, the External Auditors highlight to the Audit Committee and Board of Directors on matters that require the Board's attention.

The Audit Committee is responsible for reviewing the audit, recurring audit-related and non-audit services provided by the External Auditors. The Audit Committee has been explicitly accorded the power to communicate directly with both the External Auditors and Internal Auditors. The terms of engagement for services provided by the External Auditors are reviewed by the Audit Committee prior to submission to the Board for approval. The effectiveness and performance of the External Auditors are reviewed annually by the Audit Committee.

In assessing or determining the suitability and independence of the External Auditors, the Audit Committee has taken into consideration of the following:

i) the adequacy of the experience and resources of the External Auditors;

ii) the External Auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;

iii) the nature of the non-audit services provided by the External Auditors and fees paid for such services relative to the audit fee; and

iv) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the External Auditors.

Annual appointment or re-appointment of the External Auditors is via shareholders' resolution at the Annual General Meeting on the recommendation of the Board. The External Auditors are being invited to attend the Annual General Meeting 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.

Where necessary, the Audit Committee will meet with the External Auditors without the presence of Executive Director and members of management to ensure that the independence and objectivity of the External Auditors are not compromised and matters of concerns expressed by the Audit Committee are duly recorded by the Company Secretary.

In presenting the Audit Planning Memorandum to the Audit Committee, the External Auditors have highlighted their internal policies and procedures with respect to their audit independence and objectivity which include safeguards and procedures and independent policy adopted by the External Auditors. The External Auditors have also provided the required independence declaration to the Audit Committee and the Board for the financial year ended 31 December 2016.

The Audit Committee is satisfied with the competence and independence of the External Auditors for the financial year under review. Having regard to the outcome of the annual assessment of the External Auditors, the Board approved the Audit Committee's recommendation for the shareholders' approval to be sought at the Annual General Meeting on the re-appointment of Messrs RT LLP as the External Auditors of the Company for the financial year ending 31 December 2017.

F. RECOGNISE AND MANAGE RISK

Risk Management and Internal Control

The Board is entrusted with the overall responsibility of continually maintaining a sound system of internal control, which covers not only financial controls but also operational and compliance controls as well as risk management, and the need to review its effectiveness regularly in order to safeguard shareholders' investments and the Company's assets. The internal control system is designed to access current and emerging risks, respond appropriate to risks of the Group.

As an effort to enhance the system of internal control, the Board together with the assistance of external professional Internal Audit firm adopted on-going monitoring and review to the existing risk management process in place within the various business operations, with the aim of formalising the risk management functions across the Group. This function also acts as a source to assist the Audit Committee and the Board to strengthen and improve current management and operating style in pursuit of best practices.

As an ongoing process, significant business risks faced by the Group are identified and evaluated and consideration is given on the potential impact of achieving the business objectives. This includes examining principal business risks in critical areas, assessing the likelihood of material exposures and identifying the measures taken to mitigate, avoid or eliminate these risks.

The information on the Group's internal control is further elaborated in pages 29 and 30 on the Statement on Risk Management and Internal Control of this Annual Report.

G. 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.

The Directors are satisfied that in preparing the financial statements of the Group for the financial year ended 31 December 2016, the Group has used the appropriate accounting policies and applied them consistently and supported by reasonable and prudent judgments and estimates. The Directors also consider that all applicable approved accounting standards have been complied with and further confirm that the financial statements have been prepared on a going concern basis.

H. 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 and appropriate.

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.

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.

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 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) Where necessary, the Audit Committee shall meet with the external auditors 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 2016 and the summary of attendance is as follows:

Name of Directors	Attendance	Percentage of Attendance
Yang Chin Shen – Chairman	4/4	100%
Sun Shimin – Member	2/4	50%
Ho Pui Hold – Member	4/4	100%

SUMMARY OF ACTIVITIES

The main activities that were undertaken by the Audit Committee during the financial year ended 31 December 2016 include the following:

a) Reviewed the quarterly unaudited financial of the Group and the Company including the announcements pertaining thereto, before recommending to the Board for their approval and release of the Group's results to Bursa Securities;

b) Reviewed with external auditors on their audit planning memorandum on the statutory audit of the Group for the financial year ended 31 December 2016;

c) Reviewed the annual audited financial statements of the Group before recommending to the Board for their approval and release of the Group's results to Bursa Securities;

d) Reviewed and discussed with the external auditors of their audit findings inclusive of system evaluation, audit fees, issues raised, audit recommendations and management's response to these recommendations;

e) Evaluated the performance of the external auditors for the financial year ended 31 December 2016 covering areas such as calibre, quality processes, audit team, audit scope, audit communication, audit governance and independence and considered and recommended the re-appointment of the external auditors;

f) Reviewed and assessed the adequacy of the scope and functions of the internal audit plan;

g) Reviewed the internal audit reports presented and considered the findings of internal audit through the review of the internal audit reports tabled and management responses thereof;

h) Reviewed the effectiveness of the Group's system of internal control;

i) Reviewed the proposed fees for the external auditors and internal auditors in respect of their audit of the Company and the Group;

j) Reviewed related party transactions and conflict of interest situation that may arise within the Company or the Group;

k) Reviewed the Company's compliance with the Listing Requirements, applicable Approved Accounting Standards and other relevant legal and regulatory requirements;

l) Reviewed the Audit Committee Report and Statement on Risk Management and Internal Control before recommending to the Board for approval and inclusion in the Annual Report; and

m) Report to the Board on its activities and significant findings and results.

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 RMB50,000.

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

i) Sales and Trade Receivable; and
ii) Properties, Plants and Equipment

The Audit Committee and the Board agree that the internal audit review was done in accordance with the audit plan and the coverage is adequate.

Introduction

Pursuant to Paragraph 15.26(b) of the Listing Requirements, the Board of Directors of HB Global Limited is pleased to report on its Statement on Risk Management and Internal Control, which provides an overview of the nature and state of risk management and internal controls of Group during the financial year under review and up to the date of approval of this statement by the Board. This statement is guided by the latest Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

Board Responsibility

The Board acknowledges its overall responsibility for the Group's internal control and risk management systems to safeguard shareholders' investments and the Group's assets and for reviewing the adequacy and integrity of such systems. The Board ensures the effectiveness of such systems through regular quarterly reviews. These responsibilities are delegated to the Audit Committee which is empowered by their terms of reference which had been approved by the Board.

Due to inherent limitations in the systems of internal control and risk management, such systems can only manage rather than eliminate all risks of failure to achieve business objectives, and as such, can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board through its Audit Committee has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and this process includes enhancing the risk management and internal control system as and when there are changes to the business environment and regulatory requirements. The process is reviewed by the Board and the Audit Committee on a periodic basis.

Management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced by the Group, and in the design and operation of suitable internal controls to mitigate these risks identified.

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;

(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.

Review of the Statement by External Auditors

The external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report for the financial year ended 31 December 2016. Based on their review, the external auditors have reported to the Board that nothing had come to their attention that causes them to believe that this Statement on Risk Management and Internal Control 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.

Management's Assurance

The Chief Financial Officer and the Executive Directors, representing the management, have given reasonable assurance to the Board that the Group's risk management and internal control systems are adequate and effective, in all material aspects, based on the risk management and internal controls adopted by the Group and similar assurance given by the respective heads of operations.

Board Conclusion

For the financial year under review, there were no significant internal control deficiencies or material weaknesses resulting in material losses or contingencies requiring disclosure in the Annual Report. The Board is of the view that the existing Group's system of risk management and internal control is adequate to safeguard shareholders' investments and the Group's assets. However, the Board is also cognizant of the fact that the Group's system of risk management and internal control practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the Group's system of internal control and risk management framework.

1. UTILISATION OF PROCEEDS

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

2. AUDIT AND NON AUDIT FEES PAID TO EXTERNAL AUDITORS

During the financial year, the amount of audit and non-audit fees paid/payable to the external auditors by the Company and the Group respectively for the financial year ended 31 December 2016 were as follows:

	Company (RMB'000)	Group (RMB'000)
Audit Services Rendered	264	264
Non-Audit Services Rendered	-	-

3. 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.

4. 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.

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

Save for such disclosure made in note 32 to the audited financial statements on page 80 of this Annual Report, there were no recurrent related party transactions of revenue nature during the financial year ended 31 December 2016.

FINANCIAL STATEMENTS

The directors present their statement to the members together with the audited consolidated financial statements of HB Global Limited (the "Company") and 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 2016.

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 2016, and the financial performance, changes in equity and cash flows of the Group and 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. This is based on the following assumptions:

(i) the ready-to-serve food and frozen vegetables business will generate sufficient cash flows to cover operating costs and service interest payments;

(ii) the lenders will be supportive of the Group continuing in business;

(iii) should the need arise, the Company's substantial controlling shareholder, who is also a director of the Company will provide the necessary financial support to enable the Group and the Company to fulfil its financial obligations as and when they fall due.

This is notwithstanding the Group incurred a net loss of RMB24,885,000 during the year ended 31 December 2016 and, as of that date, the Group's and Company's current liabilities exceeded its current assets by RMB51,550,000 and RMB36,746,000 respectively. The current liabilities include bank loans of RMB92,900,000 which are contractually due within 12 months from the end of the reporting period. Should the Group not be able to rollover the existing bank loans or alternative refinancing of the bank loans be unsuccessful, the Group and the Company may have insufficient cash to fulfil obligations of the relevant repayment dates. This may impede continuation of its remaining business comprising ready-to-serve food and frozen vegetables.

DIRECTORS

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

Shen Hengbao	(Chief Executive Officer)
Meng Xiangzhen	
Sun Shimin	
Yang Chin Shen	
Ho Pui Hold	

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:

Name of directors and companies in which interest are held	Held in the name of directors: At beginning of financial year	Held in the name of directors: At end of financial year	Deemed interest: At beginning of financial year	Deemed interest: At end of financial year
	No. of ordinary shares			
The Company				
HB Global Limited				
(Ordinary shares with no par value)				
Shen Hengbao	-	-	267,202,000	267,202,000
Ultimate Holding Company				
Hengbao Foodstuffs Holding Limited				
(Ordinary shares with no par value)				
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 OPTIONS

No options were granted during the financial year to take up unissued shares of the Company or its subsidiaries.

No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares of the Company or its subsidiaries under option at the end of the financial year.

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.

AUDIT COMMITTEE (cont'd)

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;
(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, RT LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors,

____

Shen Hengbao
Director

____

Meng Xiangzhen
Director

28 April 2017

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 consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company, 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 28 April 2017

Ang Kong Siang

Before me

Commissioner for Oath

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of HB Global Limited (the "Company") and its subsidiaries (collectively the "Group"), which comprise the statements of financial position of the Group and of the Company as at 31 December 2016, the statements of changes in equity of the Group and the Company, the consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying 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 Companies Act, Chapter 50 (the Act) and International Financial Reporting Standards (IFRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Emphasis of Matter

<u>Status of Regularisation Plan</u>

We draw attention to Note 39 to the financial statements which describes that the Company being a Practice Note 17 ("PN 17") company, is required to submit a regularisation plan to Bursa Malaysia Securities Berhad ("Bursa Securities"). Among the latest updates, the Company had on 17 August 2016 obtained approval from Bursa Securities for a further extension of time to submit its regularisation plan by 31 January 2017.

On 31 January 2017, the Company announced that it had together with its advisers, made an application to Bursa Securities for a further extension of time to submit the Company's regularisation plan. In the latest announcement dated 3 April 2017, the Company together with its advisers announced that the application to Bursa Securities for the further extension of time to submit the Company's regularisation plan is still pending approval from Bursa Securities. At the same time, the Company is still 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 any unsuitable investors, the Company shall explore other available options in the best interest of the Company.

Should Bursa Securities not approve the Company's application for the extension of time to submit its regularisation plan, the Company will face likely suspension of the trading of its securities and the eventual delisting of the Company from the Official List of Bursa Securities.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter(s)	Our audit performed and responses thereon
1) Impairment of property, plant and equipment and land use rights	
As at 31 December 2016, property, plant and equipment and land use rights with carrying amount of RMB301,135,000 and RMB64,858,000 constituted approximately 65.2% and 14% of the total assets of the Group respectively. During the current financial year, the Group carried out a review of the recoverable amount of its property, plant and equipment and land use rights due to possible indicators for impairment as the property, plant and equipment and land use rights had been deployed in the Company's PRC subsidiaries that continuously experienced declining revenue and had incurred losses. In addition, certain property, plant and equipment with carrying amount of RMB97,098,000 had been temporarily left idle due to temporary cessation of the duck farming business as a result of the bird flu epidemic in the People's Republic of China. The valuation process involves significant judgement in determining the appropriate valuation methods to be used, and in estimating the key underlying assumptions to be applied. These critical judgement and significant estimation are disclosed in Note 3(b).	Our audit procedures focused on evaluating the appropriateness and adequacy of the impairment loss recognised for property, plant and equipment. These procedures include: • Assessing the qualifications, competency, and objectivity of the professional external valuer • Obtaining an understanding of the work of the professional external valuer • Reviewing the terms in the engagement letter to determine whether there were any matters that might have affected their objectivity, independence, or limiting their scope of work • Challenging the key assumptions used by the professional external valuer in the valuation report
2) Advance payments for land use rights	
As at 31 December 2016, included in prepayment is advance payments for land use rights with costs and carrying amount of RMB159,429 (2015: RMB159,429) and RMB59,422,000 (2015: RMB59,795,000) respectively, net of impairment loss of RMB100,007,000 (2015: RMB99,634,000), which constituted to approximately 12.87% of the Group's total assets. These land use rights which were acquired in 2012 and 2013 are still pending their certificates to be issued by the relevant authorities in the Province. Accordingly, these land use rights are being classified as prepayments. The impairment loss of these land use rights arose from the valuation carried out for property, plant and equipment and land use rights detailed as in Note 3(b).	Our audit procedures include: • Sighting to the original agreement signed between the Group and the Juxian Province Bureau of Land and Resources (the "Authorities") for the acquisition of these land use rights in 2012 and 2013 • Performed physical sighting of these land use rights • Inquiry with management on the delay by the Authorities in issuing the certificate for these land use rights and conveying these reasons to the AC which they find it to be satisfactory

Other Matters

(a) Bank confirmations

As part of our audit procedures, we had requested the banks in the People's Republic of China (the "PRC") to confirm bank transactions and balances of the PRC subsidiaries of the Company. Some of the bank confirmations received were not automatically generated from the bank's computer systems but were manually extracted by the bank officers. Our understanding is that it is the practice of those banks in the PRC to confirm confirmation requests manually. Consequently, the accuracy and completeness of the bank confirmations cannot be ascertained in view of human errors and omission, among other possible scenarios. This is an inherent limitation within the banking confirmation practices of those banks in the PRC. Accordingly, we had to perform alternative audit procedures to satisfy ourselves as to the bank transactions and balances. Our opinion is not qualified in respect of this matter.

(b) Auditor's Report – 31 December 2015

The consolidated financial statements of HB Global Limited for the year ended 31 December 2015, were audited by another independent auditor who expressed an unmodified opinion with an emphasis of matter paragraph on those statements on 7 April 2016.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information listed below that is included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

(a) Corporate Information;
(b) Board of Directors' Profiles;
(c) Profiles of Key Senior Management;
(d) Management Discussion & Analysis
(e) Corporate Sustainability Statement;
(f) Corporate Governance Statement;
(g) Audit Committee Report;
(h) Risk Management and Internal Control Statement;
(i) Other Disclosures Requirements Pursuant to the Listing Requirements of Bursa Securities;
(j) Directors' Statement;
(k) Group Properties Portfolio; and
(l) Shareholdings Statistics

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors 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 Act and IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Responsibilities

The supplementary information set out in Note 36 on page 89 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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.

The engagement partner on the audit resulting in this independent auditor's report is Mr Ong Kian Meng.

RT LLP
Public Accountants and
Chartered Accountants
Singapore

28 April 2017

		The Group		The Company	
	Note	2016 RMB'000	2015 RMB'000 (Restated) (Note 38)	2016 RMB'000	2015 RMB'000
ASSETS					
Current assets					
Cash and bank balances	4	10,121	700	8	8
Trade and other receivables	5	20,688	15,609	8	8
Prepayments	6	60,630	61,348	-	-
Inventories	7	4,415	8,741	-	-
		95,854	86,398	16	16
Non-current assets					
Investment in subsidiaries	8	-	-	172,800	172,800
Property, plant and equipment	9	301,135	313,493	-	-
Land use rights	10	64,858	65,523	-	-
Biological assets	11	-	2,487	-	-
		365,993	381,503	172,800	172,800
Total assets		461,847	467,901	172,816	172,816
LIABILITIES					
Current liabilities					
Trade and other payables	12	16,183	117,170	8,441	8,208
Amounts due to ex-shareholders of the Company	13	2,839	2,742	2,839	2,742
Amounts due to directors	14	25,482	24,004	25,482	24,004
Bank loans	15	92,900	-	-	-
Bills payables	16	10,000	-	-	-
		147,404	143,916	36,762	34,954
Non-current liabilities					
Amounts due to directors	14	12,459	11,866	-	-
Amounts due to ex-shareholders of a subsidiary	17	3,167	3,017	-	-
Bank loans	15	14,600	-	-	-
		30,226	14,883	-	-
Total liabilities		177,630	158,799	36,762	34,954
NET ASSETS		284,217	309,102	136,054	137,862

The accompanying notes form an integral part of these financial statements.

	Note	The Group 2016 RMB'000	The Group 2015 RMB'000 (Restated) (Note 38)	The Company 2016 RMB'000	The Company 2015 RMB'000
EQUITY					
Share capital	18	146,161	146,161	146,161	146,161
Capital reserve	19	(16,844)	(16,844)	-	-
Equity contribution reserve	20	8,237	8,237	-	-
Statutory reserve	21	76,090	76,090	-	-
Retained earnings/(Accumulated losses)		70,169	95,054	(10,107)	(8,299)
		283,813	308,698	136,054	137,862
Non-controlling interests		404	404	-	-
Total equity		284,217	309,102	136,054	137,862

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	The Group 2016 RMB'000	2015 RMB'000 (Re-presented)
Revenue	22	145,154	270,238
Cost of sale		(130,504)	(362,335)
Gross profit / (loss)		14,650	(92,097)
Other income	23	6,707	23,985
Selling and distribution expenses		(2,419)	(1,620)
Administrative expenses		(24,907)	(36,059)
Other expenses	24	(3,862)	(260,224)
Finance costs	25	(15,054)	(5,405)
Loss before income tax	26	(24,885)	(371,420)
Income tax credit	27	-	897
Net loss, representing total comprehensive loss for the financial year		(24,885)	(370,523)
Total comprehensive loss attributable to:			
Owners of the Company		(24,885)	(363,782)
Non-controlling interests		-	(6,741)
		(24,885)	(370,523)
Loss per share (RMB cents per share)			
Basic	28	(5.32)	(77.73)
Diluted	28	(5.32)	(77.73)

The accompanying notes form an integral part of these financial statements.

Group

	Share capital RMB'000	Capital reserve RMB'000	Equity contribution reserve RMB'000 (Restated) (Note 38)	Statutory reserve RMB'000	Retained earnings RMB'000 (Restated) (Note 38)	Attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2015	146,161	-	8,237	76,090	458,836	689,324	(9,499)	679,825
Net loss, representing total comprehensive loss for the financial year	-	-	-	-	(363,782)	(363,782)	(6,741)	(370,523)
Changes in ownership interest in a subsidiary with no change in control								
Acquisition of additional interest in a subsidiary	-	(16,844)	-	-	-	(16,844)	16,644	(200)
Balance at 31 December 2015	146,161	(16,844)	8,237	76,090	95,054	308,698	404	309,102
Net loss, representing total comprehensive loss for the financial year	-	-	-	-	(24,885)	(24,885)	-	(24,885)
Balance at 31 December 2016	146,161	(16,844)	8,237	76,090	70,169	283,813	404	284,217

The accompanying notes form an integral part of these financial statements.

Company

	Share capital RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1 January 2015	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
Net loss, representing total comprehensive loss for the financial year	-	(1,808)	(1,808)
Balance at 31 December 2016	146,161	(10,107)	136,054

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 RMB'000	2015 RMB'000 (Represented)
Cash flows from operating activities			
Loss before income tax		(24,885)	(371,420)
Adjustments for:			
Depreciation of property, plant and equipment	26	18,694	25,908
Amortisation of land use rights	26	1,497	2,543
Impairment loss on advance payments of land use rights	24	373	99,634
Impairment loss on property, plant and equipment	24	2,961	111,972
Impairment loss on land use rights	24	325	46,360
Impairment loss on property, plant and equipment written back	23	(4,366)	(21,793)
Impairment loss on land use rights written back	23	(1,157)	-
Inventories written down	26	-	1,846
Biological assets written off	24	203	162
Gain on disposal of biological assets	23	(268)	-
Gain on fair value of biological assets	23	-	(976)
Interest income	23	(84)	(78)
Interest expense	25	15,054	5,405
Unrealised foreign exchange loss/(gain)		1,100	(249)
Operating profit/ (loss) before working capital changes		9,447	(100,686)
Changes in working capital			
Inventories		4,326	1,260
Trade and other receivables		(4,734)	2,779
Trade and other payables		(1,275)	705
Cash generated from/ (used in) operations		7,764	(95,942)
Interest received		84	78
Income taxes refunded		-	532
Net cash generated from/ (used in) operating activities		7,848	(95,332)
Cash flows from investing activities			
Purchase of property, plant and equipment	29	(4,712)	(13)
Proceeds from disposal of biological assets			
Increase in biological assets		2,552	-
		-	(1,000)
Net cash used in investing activities		(2,160)	(1,013)
Cash flows from financing activities			
Proceeds from/ (repayment of) borrowings from directors		544	(454)
Repayment of loan from an ex-shareholder		-	(4,035)
(Repayment of)/loan from third parties		(100,000)	100,000
Proceeds from bank loans		107,500	-
Movement in restricted cash and bank balances	4	(10,000)	-
Proceeds from bills payables		10,000	-
Interest paid		(14,311)	(3,906)
Net cash (used in)/generated from financing activities		(6,267)	91,605
Net decrease in cash and cash equivalents		(579)	(4,740)
Cash and cash equivalents at beginning of financial year		700	5,440
Cash and cash equivalents at end of financial year	4	121	700

The accompanying notes form an integral part of these financial statements.

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 8 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year, apart from the temporary cessation of its duck farming business (see Note 8).

The financial statements for the financial year ended 31 December 2016 were authorised for issue by the Board of Directors on 28 April 2017.

(b) FUNDAMENTAL ACCOUNTING CONCEPT

The Group incurred a net loss of RMB24,885,000 (2015: 369,871,000) for the financial year ended 31 December 2016. As at 31 December 2016, the Group and the Company have net current liabilities of RMB51,550,000 and RMB36,746,000 (2015: RMB57,518,000 and RMB34,938,000) respectively. The current liabilities include bank loans of RMB92,900,000 which are contractually due within 12 months from the end of the reporting period. Should the Group not be able to rollover the existing bank loans or alternative refinancing of the bank loans be unsuccessful, the Group and the Company may have insufficient cash to fulfil obligations at the relevant repayment dates. This may impede continuation of its remaining business comprising ready-to-serve food and frozen vegetables.

Notwithstanding these conditions, the financial statements have been prepared on a going concern basis based on the following assumptions:

- The ready-to-serve food and frozen vegetables business will generate sufficient cash flows to cover operating costs and service interest payments for bank loans;
- The lenders will be supportive of the Group continuing in business;
- Should the need arise, the Company's substantial controlling shareholder, who is also a director of the Company will provide the necessary financial support to enable the Group and the Company to fulfil its financial obligations as and when they fall due.

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") and International Financial Reporting Standards ("IFRS").

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The Group's principal operations are conducted in the People's Republic of China ("PRC") and hence the financial statements are presented in Renminbi ("RMB"), being the functional and presentation currency of the Company and the Group. All financial information are presented in RMB, rounded to the nearest thousand (RMB'000), unless otherwise stated.

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.

In the current financial year, the Group has adopted all the new and revised standards and interpretations that are relevant to its operations and effective for the current financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective standards and interpretations. The adoption of these new or amended standards and interpretations did not result in substantial changes to the Group and the Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

(b) FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the 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.

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 bank balances" and "trade and other receivables" on the statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) FINANCIAL INSTRUMENTS (cont'd)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) FINANCIAL INSTRUMENTS (cont'd)

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.

Bank loans are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case they are presented as non-current liabilities.

Bank loans are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings 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 used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances. Detailed information on the subsidiaries is disclosed in Note 8 to the financial statements.

The Group was formed as a result of a 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 had existed 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.

All intragroup balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends 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.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) BASIS OF CONSOLIDATION (cont'd)

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners 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 recorded at cost and subsequently measured 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

Construction-in-progress, which represents plant and equipment and buildings under construction, is stated at cost less any impairment losses. Cost comprises direct costs incurred during the periods of construction, installation and testing. Capitalisation of these costs ceases and construction-in-progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed and the assets are available for use.

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 prospectively, if 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.

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 profit or loss in the financial year the asset is derecognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) 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. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(f) LAND USE RIGHTS

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and impairment losses, if any. The land use rights are amortised on straight-line basis, over the land lease term of 38 to 50 years.

(g) BIOLOGICAL ASSETS

Biological assets comprise livestocks.

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 livestocks, excluding finance costs and income taxes.

The fair value of livestocks is determined by reference to an independent professional valuation using the present value of the net cash flows expected to be generated from the livestocks 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.

During the financial year, the Group has temporary ceased its duck farming business due to outbreak of bird flu epidemic in PRC.

(h) SUBSIDIARIES

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses at each reporting date whether there is an indication that an asset maybe impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

(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.

Where necessary, allowance is provided for damaged, obsolete and slow-moving items 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

i. As lessee
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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) OPERATING LEASES (cont'd)

ii. As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2(n). Contingent rents are recognised as revenue in the period in which they are earned.

(l) TAXES

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period, in the countries where the Group operates and generates taxable income.

PRC corporate income tax is provided at rates applicable to an enterprise in the PRC on income for financial reporting purpose, adjusted for income and expenses items which are not assessable or deductible for income tax purposes.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses 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 income tax is measured:

i. at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period; and

ii. based on the tax consequence that will follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised either in other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) TAXES (cont'd)

Value-added tax
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

- 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 CURRENCIES

Functional and presentation currency
Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Company and the Group are presented in RMB, which is also the functional currency of the Company.

Transactions and balances
Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences arising from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of the reporting period are recognised in profit or loss. Non-monetary items are not retranslated at the end of the reporting period and are measured at historical cost (translated using the exchange rates at transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when the fair value was determined.

(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.

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 customer, 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.

Rental income
Rental income arising from operating lease is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) EMPLOYEE BENEFITS

Employee leave entitlements
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.

Pension Obligations
The Company and the Group participate in the defined contribution national pension and other welfare schemes as provided by the laws of the countries in which it has operations.

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.

(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 an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(q) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and bank balances that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

(r) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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.

(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).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

(c) Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- that person's children and spouse or domestic partner;

- children of that person's spouse or domestic partner; and

- dependants of that person or that person's spouse or domestic partner.

(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.

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 had made the following judgements, apart from those involving estimates, which have the most significant effect on the amounts recognised in the financial statements:

Allowance for impairment of trade receivables
Allowances for impairment loss on trade receivables are based on an assessment of the recoverability of trade receivables. Allowances are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expected outcome is different from the original estimate, such difference will impact the carrying value of trade receivables and allowance for impairment loss on trade receivables in the period in which such estimate has been changed. Management believes no allowance for impairment of trade receivables is necessary. The carrying amount of trade receivables is disclosed in Note 5.

Environmental remediation
The Group has not incurred any expenditure for environmental remediation, is currently not involved in any environmental remediation, and has not accrued any amounts for environmental remediation relating to its operations. Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. However, the PRC government may move further towards more rigorous enforcement of applicable laws, and towards the adoption of more stringent environmental standards. The outcome of environmental liabilities under proposed or future environmental legislation cannot be reasonably estimated at present and hence not provided for but which could be material.

(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:

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 9 to the financial statements.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(b) Key sources of estimation uncertainty (cont'd)

Impairment of non-financial assets
The Group assess whether there are any indicators of impairment for property, plant and equipment, land use rights and advance payments of land use rights in accordance with the accounting policy in Note 2.

As disclosed in Note 9 to the financial statements, the Group conducted a review of the recoverable amount of its property, plant and equipment that are deployed in the Group's declining revenue and had incurred losses. In addition, certain property, plant and equipment had been temporarily been left idle due to temporary cessation of the duck farming as a result of the bird flu epidemic in PRC.

An independent valuer (the "Valuer") was engaged by the Group to perform a valuation on property, plant and equipment, land use rights and advance payments of land use rights to determine their valuation. The Valuer adopted the replacement cost method to value these property, plant and equipment. The valuation which involve significant estimation, is based on the estimates of the gross replacement costs 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 review led to the recognition of a reversal impairment loss of RMB1,405,000 in profit or loss.

For land use rights and advance payments of land use rights, the Valuer had adopted the Market Approach Technique to value these non-financial assets as disclosed in Note 6 and Note 10. The values of land use rights 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 review led to a reversal of impairment loss of RMB832,000 for land use rights and an impairment loss of RMB373,000 for advance payments of land use rights.

Income tax expense
The Group has exposure to income tax in the PRC. Significant judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made. The carrying amount of the Group's tax payable and deferred tax liabilities at 31 December 2016 were RMB Nil (2015 – RMB Nil) and RMB Nil (2015- RMB Nil) respectively.

The PRC subsidiaries make tax submissions to the local tax authorities in accordance with interpretations and local practices. Management has assessed and concluded that all tax submissions to local tax authorities had since been finalised and hence are appropriate. Accordingly, management is of the view that there are no further tax and related liabilities.

As at 31 December 2016, the Group did not recognise deferred tax assets in relation to unutilised tax losses due to uncertainty over which future taxable profit will be available against which the Group can utilise such benefit.

4. CASH AND BANK BALANCES

	Group		Company	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Cash and bank balances	10,121	700	8	8
Less: restricted cash (1)	(10,000)	-	-	-
Cash and cash equivalents per consolidated statement of cash flows	121	700	8	8

The Renminbi is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for foreign currencies through banks that are authorised to conduct foreign exchange business. These regulations place restriction on the amount of currency being exported other than through dividends.

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Chinese renminbi	10,113	692	-	-
Singapore dollar	8	8	8	8
	10,121	700	8	8

(1) The restricted cash relates to bank balances of the Group amounting to RMB10,000,000 which are pledged to bank as securities for bills payables granted to a subsidiary corporation as disclosed in Note 16 to the financial statement.

5. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 RMB'000	2015 RMB'000 (Re-presented)	2016 RMB'000	2015 RMB'000
Trade receivables				
- third parties	20,680	14,679	-	-
Other receivables				
- sundry receivables	-	922	-	-
- refundable deposits	8	8	8	8
	8	930	8	8
	20,688	15,609	8	8

5. TRADE AND OTHER RECEIVABLES (cont'd)

The average credit period given to trade receivables ranges from 30 to 90 (2015: 30 to 90) days.

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Chinese renminbi	19,598	13,788	-	-
United States dollar	1,082	1,813	-	-
Malaysia ringgit	8	8	8	8
	20,688	15,609	8	8

6. PREPAYMENTS

	Group	
	2016 RMB'000	2015 RMB'000
Advance payments	159,429	159,429
Prepaid rental	1,208	1,553
Less: impairment loss on advance payment of land use rights	(100,007)	(99,634)
	60,630	61,348

Advance payments relate to up-front payment for the acquisition of lands use rights in 2012 and 2013. As at the end of the reporting period, the subsidiaries are still in the process of obtaining the certificate of these land use rights for the following plot of land:

	Location	Tenure	Total land area (Square Meters)
i)	Ju County Anzhuang Dong Cun, Bei Cun (莒县安庄东村，北村)	50 years from 2 July 2012	42,182
ii)	Ju County Anzhuang Town, Xiao Ma Jia Yu Cun , Huang Jia He Cun, Da Xian Fu Cun (莒县安庄镇小马家峪村，黄家河村，大咸服村)	50 years from 2 July 2012 50 years from 2 July 2012	58,038 43,172
iii)	Ju County Xia Zhuang Liu Jia Miao Jiang Cun (莒县夏庄刘家苗蒋村)		
iv)	Ju County Xia Zhuang Sun Jia Po Cun (莒县夏庄孙家坡村)	50 years from 2 July 2012	69,600
v)	Ju Country Qishan Shi Jia Guan Zhuang Cun (莒县碁山石泉官庄村)	50 years from 2 March 2013	80,000
vi)	Ju Country Qishan Shi Jia Guan Zhuang Cun (莒县碁山石泉官庄村)	50 years from 3 April 2013	56,666.67
vii)	Ju Country Qishan Shi Jia Guan Zhuang Cun (莒县碁山石泉官庄村)	50 years from 4 April 2013	13,333.33

6. PREPAYMENTS (cont'd)

Impairment testing of advance payments

During the current financial year, the Group carried out a review of the recoverable amount due to the Group's declining revenue and losses incurred. The Group engaged an independent valuer to perform valuation on its advance payments of land use rights. An impairment loss of RMB 373,000 (2015: RMB 99,634,000), representing the write-down of the advance payments of land use rights to the recoverable amount was recognised in "Other expenses" (Note 24) line item of profit or loss for the financial year ended 31 December 2016. The recoverable amount of the advance payments of land use rights was based on fair value less costs of disposal. The valuation method used is that of the market approach. These are regarded as Level 3 of the fair values hierarchy.

The key assumption to the level – fair value measures are as follows:

Land use rights comparable price RMB 1,900,000 to RMB 16,270,000

7. INVENTORIES

	Group	
	2016 RMB'000	2015 RMB'000
Statement of financial position:		
Raw materials	1,727	2,368
Work-in-progress	-	211
Finished goods	2,688	6,162
	4,415	8,741
Statement of comprehensive income:		
Inventories recognised as an expense in cost of sales	130,504	362,335
Inclusive of the following charge		
- Inventories written down (Note 26)	-	1,846

8. INVESTMENTS IN SUBSIDIARIES

	Company	
	2016 RMB'000	2015 RMB'000
Unquoted equity shares, at cost	172,800	172,800

8. INVESTMENTS IN SUBSIDIARIES (cont'd)

Details of the subsidiaries are as follows:

Name of company	Country of incorporation/ place of operation	Percentage of equity held 2016 %	2015 %	Principal activities
Held by the Company				
Shandong Hengbao Foodstuffs Co., Ltd. *	People's Republic of China	100	100	Processing, packaging and producing various types of foods
Held by Shandong Hengbao Foodstuffs Co., Ltd.				
Juxian Hengbao Farming Co., Ltd. *	People's Republic of China	100	100	Rearing and trading of livestocks, temporarily ceased operation
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

* Audited by RT LLP for the purpose of expressing an opinion on the consolidated financial statements for the financial year ended 31 December 2016

Audited by UHY Lee Seng Chan & Co for the purpose of expressing opinion on the consolidated financial statements for the financial year ended 31 December 2015

Management is of the view that these subsidiaries non-controlling interest are not material to the Group and thus no disclosure is required.

9. PROPERTY, PLANT AND EQUIPMENT

	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	Construction work-in-Progress RMB'000	Total RMB'000
Group								
Cost								
At 1 January 2015	262,349	103,580	2,807	1,793	8,025	8,589	149,752	536,895
Additions	-	13	-	-	-	-	-	13
Reclassifications	75,653	1,188	-	-	-	-	(76,841)	-
At 31 December 2015	338,002	104,781	2,807	1,793	8,025	8,589	72,911	536,908
Additions	4,500	243	-	-	-	188	-	4,931
At 31 December 2016	342,502	105,024	2,807	1,793	8,025	8,777	72,911	541,839
Accumulated depreciation								
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
At 31 December 2015	38,555	34,766	2,086	1,705	2,437	4,655	-	84,204
Depreciation charge for the financial year	9,015	5,732	245	67	766	2,869	-	18,694
At 31 December 2016	47,570	40,498	2,331	1,772	3,203	7,524	-	102,898
Accumulated impairment losses								
At 1 January 2015	41,044	30	9	-	408	-	7,541	49,032
Impairment loss charged for the financial year	79,706	31,867	262	-	137	-	-	111,972
Impairment loss written back	(15,736)	-	-	-	(206)	-	(5,851)	(21,793)
Reclassifications	1,690	-	-	-	-	-	(1,690)	-
At 31 December 2015	106,704	31,897	271	-	339	-	-	139,211
Impairment loss charged for the financial year	2,343	578	-	-	40	-	-	2,961
Impairment loss written back	(2,477)	(1,725)	(119)	-	(45)	-	-	(4,366)
At 31 December 2016	106,570	30,750	152	-	334	-	-	137,806
Carrying amount								
At 31 December 2016	188,362	33,776	324	21	4,488	1,253	72,911	301,135
At 31 December 2015	192,743	38,118	450	88	5,249	3,934	72,911	313,493

Property, plant and equipment of the Group with carrying amount of approximately RMB108,496,000 (2015: Nil) has been pledged to secure the bank loans referred to in Note 15.

Included in property, plant and equipment of the Group is a carrying amount of RMB97,098,000 (2015: RMB99,933,000) used in the duck farming business that had temporarily ceased operation during the financial year. This carrying amount is after deducting accumulated impairment loss of RMB55,336,000 (2015: 55,198,000).

9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

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

Impairment testing of property, plant and equipment

During the current financial year, the Group carried out a review of the recoverable amount due to the Group's declining revenue and losses incurred. The Group engaged an independent valuer to perform valuation on its property, plant and equipment. A reversal of impairment loss and an impairment loss of RMB4,366,000 (2015: RMB21,793,000) and RMB2,961,000 (2015: RMB111,972,000), representing an impairment loss written back was recognised in "Other income" (Note 23) and "Other expenses" (Note 24) line item of profit or loss for the financial year ended 31 December 2016. The recoverable amount of property, plant and equipment were based on fair value less costs of disposal. The valuation method used is that of the replacement cost approach. These are regarded as Level 3 of the fair value hierarchy.

The key assumption to the level – fair value measures are as follows:

Obsolescence rate	20 - 25%

10. LAND USE RIGHTS

	Group	
	2016 RMB'000	2015 RMB'000
Cost		
Balance at 1 January and 31 December	134,892	134,892
Accumulated amortisation		
Balance at 1 January	15,637	13,094
Amortisation for the financial year	1,497	2,543
Balance at 31 December	17,134	15,637
Accumulated impairment losses		
Balance at 1 January	53,732	7,372
Impairment loss charged to profit or loss	325	46,360
Reversal of impairment loss	(1,157)	-
	52,900	53,732
Carrying Amount		
Balance at 31 December	64,858	65,523

10. LAND USE RIGHTS (cont'd)

The above land use rights relate to land of:

Location	Tenure	Total land area (Square Metres)
• Ju County Huaixu Gonglu Dong Ce, Rizhao Lu Nan Ce (莒县淮徐公路东侧，日照路南侧)	38 years from 26 June 2006 to 3 September 2044	6,406
• Ju County Huaixu Gonglu Dong Ce, Rizhao Lu Nan Ce (莒县淮徐公路东侧，日照路南侧)	38 years from 26 June 2006 to 25 August 2044	17,093.80
• Ju County Huaixu Gonglu Dong Ce, Rizhao Lu Nan Ce (莒县淮徐公路东侧，日照路南侧)	50 years from 17 August 2006 to 2 July 2056	17,170.10
• 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)	50 years from 22 December 2006 to 10 December 2056	64,427
• Ju County Wei Fang Middle Road No.39 (莒县潍坊中路39号)	55 years from 10 June 2011 to 7 January 2066	24,034
• Ju County South of Qingzhou Lu, East of Cheng Yang Lu (莒县青州路以南、城阳路以东)	50 years from 10 May 2011 to 28 July 2061	65,046
• Ju County AnZhuang Town, ZhuDi North Avenue, Huang Road, West (莒县安庄镇镇驻地以北道黄路以西)	50 years from 16 May 2011 to 19 January 2061	58,196
• Ju County AnZhuang Town, ZhuDi North Avenue, Huang Road, West (莒县安庄镇镇驻地以北道黄路以西)	50 years from 16 May 2011 to 19 January 2061	58,196
• Ju County AnZhuang Town, ZhuDi North Avenue, Huang Road, West (莒县安庄镇镇驻地以北道黄路以西)	50 years from 12 May 2011 to 19 October 2061	35,257
• Ju County QiShan Town, ShiQuanGuanZhuang Village (莒县碁山镇石泉官庄村)	50 years from 18 May 2011 to 19 January 2061	68,814
• Ju County QiShan Town, ShiQuanGuanZhuang Village (莒县碁山镇石泉官庄村)	50 years from 23 June 2011 to 19 January 2061	57,967

Land use rights of the Group with carrying amount of approximately RMB34,861,000 (2015: Nil) has been charged to secure the bank loans (Note 15).

10. LAND USE RIGHTS (cont'd)

Impairment testing of land use rights

During the current financial year, the Group carried out a review of the recoverable amount due to the Group's declining revenue and losses incurred. The Group engaged an independent valuer to perform valuation on its land use rights. A reversal of impairment loss and an impairment loss of RMB 1,157,000 (2015: Nil) and RMB 325,000 (2015: RMB 46,360,000), representing an impairment loss written back was recognised in "Other income" (Note 23) and "Other expenses" (Note 24) line item of profit or loss for the financial year ended 31 December 2016. The recoverable amount of the land use rights was based on fair value less costs of disposal. The valuation method used is that of the market approach. These are regarded as Level 3 fair value hierarchy.

The key assumption are as follows:

Land use rights comparable price	RMB 1,900,000 to RMB 16,270,000

11. BIOLOGICAL ASSETS

	Group	
	2016	2015
	RMB'000	RMB'000
Livestocks		
At valuation		
Balance at beginning	2,487	673
Increase due to purchases	-	1,000
Decrease due to sales/death	(2,487)	(162)
Gain arising from changes in fair value less estimated point-of-sale costs	-	976
Balance at end	-	2,487

At the end of the reporting period, there are no more livestocks (2015: 102,315 ducklings) as the subsidiary, Juxian Hengbao Farming Co., Ltd, which is the only subsidiary in the Group whose principal activities are that of rearing and trading of livestocks had temporarily ceased operation.

During the financial year, the Group sold 93,540 (2015: Nil) ducks. In the last financial year, the fair value of livestocks was determined based on the actual selling prices approximating those at year end less estimated point-of-sale costs.

12. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Trade payables				
- third parties	1,804	3,957	-	-
Other payables				
- subsidiaries (non-trade)	-	-	6,155	5,064
- loans from third parties	-	100,000	-	-
- sundry payables	6,180	5,076	508	1,833
- accrued operating expenses	6,965	8,137	1,778	1,311
- tenant deposits	250	-	-	-
- rental received in advance	765	-	-	-
- Unpaid property, plant and equipment (Note 29)	219	-	-	-
	14,379	113,213	8,441	8,208
	16,183	117,170	8,441	8,208

Trade payables are normally settled within 30 to 90 (2015: 30 to 90) days from date of invoice while other payables have an average term of 6 (2015: 6) months.

The loans from third parties are unsecured, interest-bearing at 1% per month and repayable within one year in cash. The loans had been fully settled during the current financial year.

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	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Chinese renminbi	13,370	114,027	6,155	5,064
Singapore dollar	2,581	3,034	2,173	3,034
Malaysia ringgit	232	109	113	110
	16,183	117,170	8,441	8,208

13. AMOUNTS DUE TO EX-SHAREHOLDERS OF THE COMPANY

Amounts due to ex-shareholders consist of a sum of RMB1,197,000 (2015: RMB1,156,000) which represents payment on behalf and a sum of RMB1,642,000 (2015: 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. AMOUNTS DUE TO DIRECTORS

	Group		Company	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Amounts due to directors	37,941	35,870	25,482	24,004
Less: Repayment due within the next 12 months, included under current liabilities	(25,482)	(24,004)	(25,482)	(24,004)
Repayment due after the next 12 months (Note 17)	12,459	11,866	-	-

The amounts due to directors due within the next 12 months is non-trade in nature, unsecured, interest-free and is repayable in cash on demand.

Fair value of non-current amount due to directors

	Group	
	2016 RMB'000	2015 RMB'000
Amount due to directors	16,220	15,544

The fair value above are determined from the cash flow analyses, discounted at market borrowing rates of an equivalent instrument at the end of the reporting period of 4.35% (2015: 4.35%) per annum. The fair values are within Level 2 of the fair values hierarchy.

Amount due to directors is denominated in the following currencies:

	Group		Company	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Chinese renminbi	17,103	16,510	4,644	4,644
Singapore dollar	20,798	19,321	20,798	19,321
Malaysia ringgit	40	39	40	39
	37,941	35,870	25,482	24,004

15. BANK LOANS

		Group	
		2016 RMB'000	2015 RMB'000
Secured bank loans			
Shanghai Pudong Development Bank 上海浦东发展银行股份有限公司日照分公司	#1	10,000	-
Industrial Bank Co., Ltd 兴业银行股份有限公司日照分行	#2	16,000	-
Rural Commercial Bank of Juxian 山东莒县城区农村信用社	#3	35,000	-
Bank of Rizhao 日照银行股份有限公司莒县支行	#4	20,000	-
China Construction Bank 中国建设银行股份有限公司莒县支行	#5	26,500	-
		107,500	-
Less: Repayment due within the next 12 months, included under current liabilities		(92,900)	-
Repayment due after the next 12 months		14,600	-

The bank borrowings are secured by:-

(i) legal charges over the leasehold land and buildings of certain subsidiaries as disclosed in Note 9;
(ii) legal charges over the land use rights of certain subsidiaries disclosed in Note 10;
(iii) corporate guarantee;
(iv) joint and several guaranteed by certain directors and key management personnel of certain subsidiaries.

The bank loans are denominated in Renminbi.

a. The bank loans #1 of RMB10,000,000 bear interest at 0.7695% above the benchmark lending rate of Shanghai Pudong Development Bank ("SPDB") per annum. The effective interest rate was 5.0895% per annum and repayable within one year.

b. The bank loans #2 of RMB16,000,000 bear interest at 1.4 over the benchmark lending rate of People's Bank of China ("PBOC") per annum. The effective interest rate was 6.09% per annum and repayable within one year.

c. The bank loans #3 of RMB35,000,000 bear fixed interest rate of 8.96% per annum. RMB20,400,000 of the bank loans are repayable within 1 year and the remaining amount of RMB6,600,000 and RMB8,000,000 are repayable in full not later than 6 September 2018 and 7 December 2018 respectively.

d. The bank loan #4 of RMB20,000,000 bears fixed interest rate of 6.7425% per annum and repayable within one year.

e. The bank loans #5 of RMB6,625,000 bear fixed interest rate of range from 5.8725% to 6.09% per annum and repayable within one year.

15. BANK LOANS (cont'd)

Fair value of non-current bank loans

	Group	
	2016 RMB'000	2015 RMB'000
Bank loans	15,136	-

The fair value above are determined from the cash flow analyses, discounted at market borrowing rates of an equivalent instrument at the end of the reporting period of 4.35% (2015: Nil) per annum. The fair value are within Level 2 of the fair values hierarchy.

16. BILLS PAYABLES

Bills payables of the Group have maturity periods of 6 months (2015: Nil). The average effective interest rate of bill payables is 3.24% per annum.

The bills payables are secured over certain bank balances (Note 4).

The bills payables are denominated in Renminbi.

17. AMOUNTS DUE TO EX-SHAREHOLDERS OF A SUBSIDIARY

	Group	
	2016 RMB'000	2015 RMB'000
Borrowings	15,626	14,883
Amounts due to directors (Note 14)	(12,459)	(11,866)
Amounts due to ex-shareholders of a subsidiary	3,167	3,017

On 25 September 2009, Shandong Hengbao Foodstuffs Co., Ltd. entered into a loan agreement with Shen Hengbao and Meng Xiangzhen, (collectively the "Directors") and Wu Fang, Yao Zhifang and Shi Geli (collectively the "Ex-shareholders of a subsidiary") to obtain a total loan of RMB21,800,000 from the Directors and the Ex-shareholders. The loan is interest-free and is for a period of 10 years with an option to extend for a further period of 10 years if requested by the Company.

In 2015, RMB 4,035,000 was repaid to one of the directors, leaving a remaining balance of RMB17,765,000.

The remaining loan amount of RMB17,765,000 (2015: RMB17,765,000) is stated at amortised cost of RMB15,626,000 (2015: RMB14,883,000) which is determined from cashflow analysis and discounted at market borrowing rate of 4.86% (2015: 4.86%) per annum.

Fair value of non-current amount due to ex-shareholders of a subsidiary

	Group	
	2016 RMB'000	2015 RMB'000
Amount due to ex-shareholder of a subsidiary	3,208	3,075

The fair value above are determined from the cash flow analyses, discounted at market borrowing rates of an equivalent instrument at the end of the reporting period of 4.35% (2015: 4.35%) per annum. The fair values are within Level 2 of the fair values hierarchy.

18. SHARE CAPITAL

	Group/Company	
	2016	2015
	RMB'000	RMB'000
Issued and fully paid up 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.

19. 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 in 2015.

20. EQUITY CONTRIBUTION RESERVE

The equity contribution reserve represents the difference between the gross proceeds and fair value at initial measurement and recognition on 25 September 2009 of the interest free loan of RMB21,800,000 in aggregate from the Directors and Ex-shareholders of a subsidiary (Note 17).

This equity contribution reserve is not distributable.

21. 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 2016 and 2015 as the subsidiaries did not generate any statutory after tax profits in these two financial years.

22. REVENUE

	Group	
	2016	2015
	RMB'000	RMB'000
Sale of goods	145,154	270,238

23. OTHER INCOME

	Group	
	2016 RMB'000	2015 RMB'000 (Re-presented)
Foreign exchange gain	357	1,137
Gain on disposal of biological assets	268	-
Gain on fair value of biological assets	-	976
Interest income	84	78
Impairment loss written back on:		
- property, plant and equipment	4,366	21,792
- land use rights	1,157	-
Rental income	475	-
Sundry income	-	2
	6,707	23,985

24. OTHER EXPENSES

	Group	
	2016 RMB'000	2015 RMB'000
Disposals of consumable ducks	-	233
Biological assets written off	203	162
Impairment loss on:		
- advance payments of land use rights	373	99,634
- property, plant and equipment	2,961	111,972
- land use rights	325	46,360
Inventories written down	-	1,846
Loss on striking off of subsidiaries	-	17
	3,862	260,224

25. FINANCE COSTS

	Group	
	2016 RMB'000	2015 RMB'000 (Re-presented)
Interest expense on		
- borrowings from ex-shareholders (1)	150	793
- borrowings from directors (2)	593	706
- borrowings from third parties	11,917	3,906
- bank loans	2,394	-
	15,054	5,405

(1) This relates to accretion of discount relating to amounts due to ex-shareholders (Note 17)
(2) This relates to accretion of discount relating to amounts due to directors (Note 14)

26. LOSS BEFORE INCOME TAX

This is stated after charging:

	Note	Group 2016 RMB'000	Group 2015 RMB'000
Audit fee to auditors of the Company		409	688
Amortisation of land use rights	10	1,497	2,543
Depreciation of property, plant and equipment	9	18,694	25,908
Employee benefits expense	30	27,834	54,502
Inventories written down	7	-	1,846
Operating lease expense - land		1,507	1,783

27. TAXATION

	Group 2016 RMB'000	Group 2015 RMB'000 (Re-presented)
Current tax credit		
- prior financial year	-	897
Reconciliation of effective tax rate		
Loss before income tax	(24,885)	(371,420)
Tax at statutory rate of 25% (2015:25%)	(5,770)	(92,611)
Tax at statutory rate of 17% (2015:17%)	(307)	(206)
Adjustments:		
- non-deductible expenses	307	10
- non-taxable income	-	(46)
- deferred tax assets not recognised	3,264	75,589
- tax losses disregarded	2,506	17,264
- overprovision of income tax in prior financial year	-	897
	-	897

27. TAXATION (cont'd)

Unutilised tax losses

As at 31 December 2016, the Group has unutilised tax losses of approximately RMB341,411,000 (2015: RMB328,357,000) comprising solely from Shandong Hengbao Foodstuff Co., Ltd which are subject to agreement with the relevant tax authorities. These unutilised tax losses can be carried forward for offsetting against future taxable income provided that the provisions of the relevant tax legislations are complied with. The tax losses have the following expiry dates:

	Group	
	2016 RMB'000	2015 RMB'000
Expiring in:		
2019	26,652	26,652
2020	301,705	301,705
2021	13,054	-
	341,411	328,357

Tax losses disregarded

Pursuant to the corporate income tax law of the PRC under Chapter 4 No 27(1), all PRC companies engaging in livestock and poultry breeding business are tax exempted. Accordingly, the losses of Juxian Hengbao Farming Co., Ltd who engaged in duck farming business are disregarded given that the profits arising from livestock and poultry breeding are exempted from tax.

Unappropriated profits

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on the dividends to foreign investors from foreign investment enterprises establish in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. As at 31 December 2016, the PRC subsidiary has unappropriated profits amounted to RMB 240,553,000 (2015 : RMB253,608,000) which has not yet been utilised.

Unrecognised deferred tax liabilities

As at 31 December 2016, the aggregate amount of temporary differences relating to undistributed profits of a subsidiary for which deferred tax liabilities have not been recognised is RMB 7,016,900 (2015: RMB 9,505,400). No deferred tax liability has been recognised because the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

28. LOSS PER SHARE

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

	Group	
	2016	2015 (Re-stated)
Net loss attributable to owners of the Company (RMB'000)	(24,885)	(363,782)
Weighted average number of ordinary shares in issue ('000)	468,000	468,000
Loss per share		
- Basic (RMB cents)	(5.32)	(77.73)
- Diluted (RMB cents)	(5.32)	(77.73)

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

29. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group	
	2016 RMB'000	2015 RMB'000
Property, plant and equipment (Note 9)	4,931	13
Unpaid balances included under other payables (Note 12)	(219)	-
Cash paid during the year	4,712	13

30. EMPLOYEE BENEFITS EXPENSE

	Group	
	2016 RMB'000	2015 RMB'000
Salaries, bonuses and related costs (including directors' remuneration)	26,782	53,223
Employer's contributions to defined contribution funds	1,052	1,279
	27,834	54,502

31. 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	
	2016 RMB'000	2015 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	11,800	9,531
	94,520	92,251

(b) Lease commitments – as lessee

In addition to the land use rights disclosed in Note 10, the Group has entered into commercial leases on certain lands. These leases comprise non-cancellable leases and have an average tenure of between ten and fifteen years, with option to renew the leases after the expiry dates. The operating leases do not contain any escalation clauses and do not provide for contingent rents.

Future minimum rental payable under non-cancellable operating leases (excluding land use rights) at the end of the reporting period are as follows:

	Group	
	2016 RMB'000	2015 RMB'000
Within one year	1,507	1,507
Between one and five years	6,133	8,817
More than five years	2,425	4,036
	10,065	14,360

(c) Lease commitments – as lessor

The Group has entered into property and equipment leases. These non-cancellable leases have remaining lease terms of between one and two years with option to renew the lease after the expiry date.

Future minimum rental receivable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2016 RMB'000	2015 RMB'000
Within one year	1,261	-
Between one and five years	385	-
	1,646	-

32. 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	
	2016 RMB'000	2015 RMB'000
Compensation of key management personnel		
Short-term benefits paid to:		
Directors		
- Salaries and related costs	1,508	1,400
- directors' fee	284	206
- employer's contributions to central provident fund	3	-
Other key management personnel		
- salaries and related cost	1,027	590
- post-employment benefits	9	35
	2,831	2,231
Comprise amounts paid to:		
Directors	1,795	1,606
Other key management personnel	1,036	625
	2,831	2,231

33. 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.

33. SEGMENT INFORMATION (cont'd)

Financial year ended 31 December 2016

	Ready-to -serve food RMB'000	Frozen vegetables RMB'000	Duck farming RMB'000	Others RMB'000	Total RMB'000
Revenue (external customers)	53,524	55,702	6,401	29,527	145,154
Segment results	6,519	15,690	(10,079)	2,520	14,650
Other income					6,707
Unallocated costs					(31,188)
Finance costs					(15,054)
Loss before income tax					(24,885)
Income tax credit					-
Net loss for the financial year					(24,885)
Other segment information					
Depreciation and amortisation					20,191
Interest income					84
Interest expense					15,054
Impairment loss on:					
- advance payments of land use rights					373
- property, plant and equipment					2,961
- land use rights					325
Capital expenditure					4,931

Financial year ended 31 December 2015

	Ready-to -serve food RMB'000	Frozen vegetables RMB'000	Duck farming RMB'000	Others RMB'000	Total RMB'000 (Re-stated)
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					(5,405)
Loss before income tax					(371,420)
Income tax expenses					897
Net loss for the financial year					(370,523)

33. SEGMENT INFORMATION (cont'd)

Financial year ended 31 December 2015 (cont'd)

	Ready-to -serve food RMB'000	Frozen vegetables RMB'000	Duck farming RMB'000	Others RMB'000	Total RMB'000 (Re-stated)
Other segment information					
Depreciation and amortisation					28,451
Interest income					78
Interest expense					5,405
Impairment loss on:					
- advance payments of land use rights					99,634
- property, plant and equipment					111,972
- land use rights					46,360
Capital expenditure					13

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

	Revenue	
	2016 RMB'000	2015 RMB'000
China	93,916	223,924
Japan	49,842	42,765
Europe	989	3,528
Others	407	21
	145,154	270,238

All non-current assets are located in the PRC.

34. 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	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Financial assets				
Loans and receivables	30,809	16,309	16	16
Financial liabilities				
Financial liabilities at amortised cost	177,630	158,799	36,762	34,954

34. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(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.

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 84% (2015: 85%) of the Group's trade receivables were due from 1 (2015: 1) 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 Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from bank borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

A sensitivity analysis has been performed based on the outstanding floating rate bank borrowings of the Group as at year end. If interest rate increase or decrease by 50 basis points with all other variables held constant, the Group profit before tax would increase or decrease by RMB130,000 (2015: Nil), as a result of lower or higher interest expense on these borrowings.

34. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(b) Financial risk management policies and objectives (cont'd)

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.

The Group is in net current liability position of RMB 121,634,000 (2015: RMB 127,607,000). As detailed in Note 1(b), management is of the view that the liquidity risk is mitigated as the Group is confident that it will be able to obtain continuing support from its banks and hence be able to rollover the loans when they fall due. In addition, management is confident that its business operations will be able to generate sufficient cash flows to finance its obligations.

The Company's financial assets and liabilities are all less than 1 year based on the remaining period from the end of the reporting period to their respective contractual maturity dates.

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
2016			
Cash and cash equivalent	10,121	-	10,121
Trade and other receivables	20,688	-	20,688
Total undiscounted financial assets	30,809	-	30,809
Trade and other payables	16,183	-	16,183
Amount due to ex-shareholders of the Company	2,839	-	2,839
Amount due to directors	25,482	14,165	39,647
Amount due to ex-shareholders of a subsidiary	-	3,600	3,600
Bills payables	10,039	-	10,039
Bank loans	97,900	15,610	113,510
Total undiscounted financial liabilities	152,443	33,375	185,818
Total net undiscounted financial liabilities	(121,634)	(33,375)	(155,009)

34. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(b) Financial risk management policies and objectives (cont'd)

Liquidity risk (cont'd)

GROUP

	1 year or less RMB'000	1 to 5 years RMB'000	Carrying amount RMB'000
2015			
Cash and cash equivalent	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 of the Company	2,742	-	2,742
Amount due to directors	24,004	14,165	38,169
Amount due to ex-shareholders of a subsidiary	-	3,600	3,600
Total undiscounted financial liabilities	143,916	17,765	161,681
Total net undiscounted financial liabilities	(127,607)	(17,765)	(145,372)

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"), 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	SGD RMB'000	RM RMB'000
2016			
Cash and cash equivalent	-	8	-
Trade and other receivables	1,082	-	8
Trade and other payables	-	(2,581)	(232)
Amount due to directors	-	(20,798)	(40)
Amount due to ex-shareholders of the Company	-	(2,839)	-
	1,082	(26,210)	(264)

34. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(b) Financial risk management policies and objectives (cont'd)

Foreign currency risk (cont'd)

Group

	USD RMB'000	SGD RMB'000	RM RMB'000
2015			
Cash and cash equivalent	-	8	-
Trade and other receivables	1,813	-	8
Trade and other payables	-	(3,034)	(109)
Amount owing to directors	-	(19,321)	(39)
Amount due to ex-shareholders of the Company	-	(2,742)	-
	1,813	(25,089)	(140)

Company

	SGD RMB'000	RM RMB'000
2016		
Cash and cash equivalent	8	-
Trade and other receivables	-	8
Trade and other payables	(2,173)	(113)
Amount due to directors	(20,798)	(40)
Amount due to ex-shareholders of the Company	(2,839)	-
	(25,802)	(145)
2015		
Cash and cash equivalent	8	-
Trade and other receivables	-	8
Trade and other payables	(3,034)	(110)
Amount due to directors	(19,321)	(39)
Amount due to ex-shareholders of the Company	(2,742)	-
	(25,089)	(141)

34. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(b) Financial risk management policies and objectives (cont'd)

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	
	2016 RMB'000	2015 RMB'000
United States dollar	32	54
Singapore dollar	(786)	(753)
Malaysia ringgit	(8)	(4)
	(762)	(703)

	Company	
	2016 RMB'000	2015 RMB'000
Singapore dollar	(774)	(753)
Malaysia ringgit	(4)	(4)
	(778)	(757)

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 2016 and 31 December 2015.

The Group is not subject to any externally imposed capital requirements, except for a subsidiary of the Group as disclosed in Note 21 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 2016 and 2015.

35. 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:

Group

	Quoted prices in active markets for identical instruments (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable input (Level 3) RMB'000	Total RMB'000
2016				
Non-financial assets				
Biological assets	-	-	-	-
2015				
Non-financial assets				
Biological assets	-	-	2,487	2,487

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).

There has been no transfer between Level 1 and Level 2 fair value measurements during the financial years ended 2016 and 2015.

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.

35. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

(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.

36. 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 2016 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.

	Group		Company	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Total accumulated profit/(losses) of the Company and its subsidiaries				
- Realised profit/(loss)	71,269	94,805	(9,007)	(8,548)
- Unrealised (loss)/profit	(1,100)	249	(1,100)	249
	70,169	95,054	(10,107)	(8,299)

37. NEW OR AMENDED STANDARDS AND INTERPRETATIONS 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 2016 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 except for IFRS 15 as discussed below:

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

37. NEW OR AMENDED STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE (cont'd)

IFRS 15 *Revenue from Contracts with Customers (cont'd)*

Specifically, the Standard introduces a 5-step approach to revenue recognition:
· Step 1: Identify the contract(s) with a customer.
· Step 2: Identify the performance obligations in the contract.
· Step 3: Determine the transaction price.
· Step 4: Allocate the transaction price to the performance obligations in the contract.
· Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.
Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Group and the Company are in the process of identifying the impact on adoption of IFRS 15.

38. PRIOR YEAR RESTATEMENTS, RECLASSIFICATIONS AND COMPARATIVE FIGURES

Certain adjustments and reclassifications have been made to the prior year's statements of financial position to enhance comparability with the current year's financial statements. The prior year reclassification relates to the following:-

<u>RECLASSIFICATIONS</u>
- reclassification of prepayment within trade and other receivables to prepayment on the face of the statements of financial position;
- combining construction in progress into property, plant and equipment;
- separating "amounts due to directors" and "amount due to ex-shareholders" out of borrowings as and separating disclosing on the face statements of financial position;

<u>RESTATEMENTS</u>
- reclassification of other comprehensive loss – net changes in fair value, net of tax to finance costs due to unwinding of discount of interest-free loans that should have been recognised in profit or loss rather than other comprehensive income.

Comparative amounts for consolidated statement of profit or loss and other comprehensive income, statements of financial position and consolidated statement of cash flows were restated for consistency. The restatement did not have any impact on the comparatives for total comprehensive loss attributable to equity holders of the Company, except that it had increased the loss by RMB 652,000 and reduced the other comprehensive loss by RMB 652,000 for the financial year ended 31 December 2015.

38. RECLASSIFICATIONS AND COMPARATIVE FIGURES (cont'd)

The details of the restatements and reclassification are appended below:

		Group	
	Previously reported	2015 As restated	Difference
Statements of financial position			
Current assets:			
Trade and other receivables	76,957	15,609	(61,348)
Prepayment	-	61,348	61,348
Non-current assets:			
Property, plant and equipment	240,582	313,493	72,911
Construction in progress	72,911	-	(72,911)
Non-current liabilities:			
Amounts due to directors	-	11,866	11,866
Amounts due to ex-shareholders	-	3,017	3,017
Borrowings	14,883	-	(14,883)
	14,883	14,883	-
Consolidated statement of changes in equity			
Equity contribution reserve [1]	(652)	-	652
Retained profits	95,706	95,054	(652)
Total comprehensive income for the financial year:			
Other comprehensive income	(652)	-	652
Loss for the year	(369,871)	(370,523)	(652)

[1] Previously termed as "Fair Value Reserve".

39. STATUS OF REGULARISATION PLAN

Effective from 7 May 2013, the Company is a Practice Note 17 ("PN 17") company as it had triggered the following Prescribed Criteria under PN 17 pursuant to paragraph 8.04 and paragraph 2.1 (d) of PN 17 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") whereby "the auditors have expressed an adverse or disclaimer of opinion in the listed issuer's latest audited financial statements". This criterion was triggered because of the Company's audited financial statements for the financial year ended 31 December 2012 in which the then Paul Wan & Co had 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 that 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").

39. STATUS OF REGULARISATION PLAN (cont'd)

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.

On 1 June 2016, the Company announced that it had, together with its advisers, made an application to Bursa Securities for a further extension of time to submit the Company's regularisation plan. On 17 August 2016 the Company obtained approval from Bursa Securities for a further extension of time to submit the Company's regularisation plan by 31 January 2017.

On 31 January 2017, the Company announced that it had together with its advisers, made an application to Bursa Securities for a further extension of time to submit the Company's regularisation plan. In the latest announcement dated 3 April 2017, the Company together with its advisers announced that the application to Bursa Securities for the further extension of time to submit the Company's regularisation plan is still pending approval from Bursa Securities. At the same time, the Company is still 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 any unsuitable investors, the Company shall explore other available options in the best interest of the Company.

Should Bursa Securities not approve the Company's application for the extension of time to submit its regularisation plan, the Company will face likely suspension of the trading of its securities and the eventual delisting of the Company from the Official List of Bursa Securities.

The landed property of HB Global Limited 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/ Expire of Tenure	Revaluation/ Acquisition	Land Area (Square Metres)	Audited NBV as at 31.12.2016 RMB'000
1.	2011-18/ ShiQuanGuanZhuan Village, QiShan Town, Ju County, Shandong Province, PRC ("Land X")	Juguoyong (2011) No. 377/ 23.06.2011	50 years / 19.01.2061	2016	57,967.00	9,386
2.	2011-10/Huang Road, ZhuDi North Avenue, West, Anzhuan Town Ju County Shandong Province, PRC ("Land VIII")	Juguoyong (2011) No. 178/ 18.05.2011	48 years / 19.01.2061	2016	68,814.00	11,142
3.	2011-12/Huang Road, ZhuDi North Avenue, West, Anzhuan Town Ju County Shandong Province, PRC ("Land VII")	Juguoyong (2011) No. 118/ 16.05.2011	48 years / 19.01.2061	2016	58,196.00	9,423
4.	20-6-1793/Anzhuang Town Baowa Village East, Daohuang Road West, Ju Country, Shandong	Juguoyong (2011) No. 173/ 12.05.2011	48 years / 13.10.2061	2016	35,257.00	5,708
5.	371122103119GB01005 / West of Qingzhou Road, East of Chengyang Road, Ju Country, Shandong	Juguoyong (2015) No. 116/ 07.12.2015	48 years / 28.07.2061	2016	65,046.00	12,755
6.	371122103119GB01006F9999 0001/ Weifang Road No. 39, Ju Country, Shandong	Lu (2016) Ju property rights No. 0000826/ 10.06.2011	53 years / 07.01.2066	2016	24,034.00	4,708
7.	1-31-2467 / Yanzhuang Town Dachang Anpo Village, Jianhua Village, Ju Country, Shandong	Juguoyong (2009) No. 20/ 22.12.2006	50 years / 08.11.2058	2016	64,426.96	7,250
8.	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	36 years / 03.09.2044	2016	6,406.00	668
9.	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	36 years / 25.08.2044	2016	17,093.80	1,870
10	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	48 years / 02.07.2056	2016	17,170.10	1,947

No.	Land No. / Location	State-owned Land Use Right Certificate No./ Certificate Issuance Date	Tenure/ Expire of Tenure	Revaluation/ Acquisition	Land Area (Square Metres)	Audited NBV as at 31.12.2016 RMB'000
11.	An Zhuang Zhen East Village, North Village, Ju Country, Shandong	Juguoyong No. 2012-18/ 02.07.2012	48 years / 01.07.2062	2016	142,182.00	6,865
12.	An Zhuang Xiao Ma Jiayu Village, Huangjiahe Village, Daxianfu Village, Ju Country, Shandong	Juguoyong No. 2012-30/ 02.07.2012	48 years / 01.07.2062	2016	58,038.00	9,445
13.	Xia Zhuang Town Liu Jiamiao Jiang Village, Ju Country, Shandong	Juguoyong No. 2012-38/ 02.07.2012	48 years / 01.07.2062	2016	43,172.00	7,160
14.	Xiazhuang Town Sun Jiapo Village, Ju Country, Shandong	Juguoyong No. 2012-40/ 02.07.2012	48 years / 01.07.2062	2016	69,600.00	11,542
15.	Qishanshi Quanguan Zhuang Village, Ju Country, Shandong	Juxian No. 01-2013-22/ 02.03.2013	48 years / 01.03.2063	2016	80,000.00	13,019
16.	Qishanshi Quanguan Zhuang Village, Ju Country, Shandong	Juxian No. 01-2013-36/ 03.04.2013	48 years / 02.04.2063	2016	56,666.67	9,222
17.	Qishanshi Quanguan Zhuang Village, Ju Country, Shandong	Juxian No. 01-2013-38/ 04.04.2013	48 years / 03.04.2063	2016	13,333.33	2,170
	Grand Total				**777,402.86**	**128,280**

(ii) Leasehold Building and Infrastructure

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

No.	Land No. / Location	Description / Existing Use	Certificate of Real Estate Ownership No. / Certificate of Issuance Date	Built-up Area (Square Metres)	Approximate Age (Years)	Revaluation/ Acquisition	Audited NBV as at 31.12.2016 RMB'000
1.	**First Production Plant** No.1, Juzhou Road Ju County, 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	16,292.55	13 - 22	2016	3,533
2.	**Second Production Plant** North of Weifang Middle Road No. 1, Ju County, Shandong Province PRC	A single-storey factory building and a five-storey workers' hostel/ Production plant, warehouse and workers' hotel	Ju Fang Quan Zheng Cheng Qu Zi No. 20092463/ 16.10.2009	25,904.32	5	2016	33,714

(ii) Leasehold Building and Infrastructure (cont'd)

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

No.	Land No. / Location	Description / Existing Use	Certificate of Real Estate Ownership No. / Certificate of Issuance Date	Built-up Area (Square Metres)	Approximate Age (Years)	Revaluation/ Acquisition	Audited NBV as at 31.12.2016 RMB'000
3.	**Third Production Plant** North of Weifang Road No. 1, Ju County Shandong Province PRC	A single-storey factory building / Production plant	Lu (2016) Ju Property Rights No. 0000826 / 10.06.2011	185,175.50	1 – 7	2016	49,935
4.	**Head Quarter and R&D Centre** North of Weifang Road No. 1, Ju County Shandong Province PRC	A seven storey office building equipped with R&D facilities	*	14,851.35	4 – 7	2016	25,221
5.	**Incubation Facilities** ZhuDi North Avenue, West AnZhuang Town, Ju County, Shandong Province PRC	A single storey factory building / hatching plant	*	16,253.83	4 – 5	2016	27,406
6.	**Duck Farm 1** ZhuDi North Avenue, West AnZhuang Town, Ju County Shandong Province PRC	A duck farm completed 15 duck sheds	*	21,450.00	4 – 5	2016	14,878
7	**Duck Farm 2** ZhuDi North Avenue,West AnZhuang Town, Ju County Shandong Province PRC	A duck farm completed 15 duck sheds	*	21,372.72	4 – 5	2016	13,534
8	**Duck Farm 3** 2011-18 / ShiQuanGuanZhuan Village, QiShan Town, Ju County Shandong Province, PRC	A duck farm completed 15 duck sheds	*	15,120.00	4	2016	16,621
	Grand Total						**188,363**

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

DISTRIBUTION OF SHAREHOLDINGS AS AT 19 APRIL 2017

Size Holdings	No. of shareholders	% of shareholders	No. of holdings	% of share
Less than 100	11	0.76	375	0.00
100 - 1,000	89	6.15	57,575	0.01
1,001 - 10,000	550	38.04	3,592,677	0.77
10,001 - 100,000	613	42.39	23,565,800	5.04
100,001 to less than 5% of issued shares	181	12.52	124,776,033	26.66
5% and above of issued shares	2	0.14	316,007,540	67.52
Total	1,446	100.00	468,000,000	100.00

SUBSTANTIAL SHAREHOLDERS

(ACCORDING TO THE COMPANY'S REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 19 APRIL 2017)

No.	Name	No. of Share held Direct	(%)	No. of Share held Inderect	(%)
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 National 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 8 of the Malaysian Companies Act, 2016

(b) Deemed interested by virtue of its interest in Agro Treasures Sdn Bhd pursuant to Section 8 of the Malaysian Companies Act, 2016

DIRECTORS' INTERESTS IN SHARES AS AT 19 APRIL 2017

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

(a) Deemed interested by virtue of his interest in Hengbao Foodstuffs Holding Limited pursuant to Section 8 of the Malaysian Companies Act, 2016

LIST OF TOP THIRTY (30) LARGEST SECURITIES ACCOUNTS HOLDERS
(ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 19 APRIL 2017)

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	8,268,000	1.77
5	SHAHIDAN BIN KASSIM	6,729,100	1.44
6	NEO SAY YEOW	5,789,700	1.24
7	LIEW KHEE CHONG	4,000,000	0.85
8	LING KAU @ LIM HONG MEOW	4,000,000	0.85
9	CHONG LOI TAI	3,434,200	0.73
10	P.G. DORAISAMY A/L P. GOPAL	3,183,500	0.68
11	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD EXEMPT AN FOR AFFIN HWANG ASSET MANAGEMENT BERHAD (TSTAC/CLNT-T)	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	LOW BENG HONG	1,263,600	0.27
20	SYARIKAT KEJURUTERAAN LETRIK SIM HOONG SDN BHD	1,248,000	0.27
21	LIEW KEK MIN	1,238,000	0.26
22	WONG AH KOW	1,192,000	0.25
23	DZULFADLI HUSNI BIN DZULKIFLI	1,174,000	0.25
24	GEORGE TIONG SIY	1,076,075	0.23
25	YONG SHIAU YUEN	1,045,300	0.22
26	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHD ANNAS BIN MD ISA (8079005)	1,035,300	0.22
27	TAN KOK MIN	1,028,500	0.22
28	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR ZAINUL AZMAN BIN ZAINUL AZIZ (MY2275)	1,000,000	0.21
29	LOO SEU MOY	950,500	0.20
30	TAN AH TAI @ TAN KA CHENG	949,900	0.20
	TOTAL	**396,514,715**	**84.73**

NOTICE IS HEREBY GIVEN THAT the Tenth Annual General Meeting of the Company will be held at Sri Banang II, Mutiara Johor Bahru, Jalan Dato Sulaiman, Taman Century, K.B No. 779, 80990 Johor Darul Takzim, Malaysia on Monday, 29 May 2017 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 2016 together with the Reports of the Directors and Auditors thereon. **(Ordinary Resolution 1)**

2. To re-elect Meng Xiangzhen, who retires pursuant to Article 104 of the Company's Articles of Association. **(Ordinary Resolution 2)**

3. To approve the payment of Directors' fees of RMB264,000 for the financial year ended 31 December 2016. **(Ordinary Resolution 3)**

4. To re-appoint Messrs RT LLP as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 4)**

   As Special Business
   To consider and if thought fit, to pass the following Resolutions:-

5. **Authority to Directors to Allot and Issue Shares** **(Ordinary Resolution 5)**

   "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."

6. 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 2017

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 Tenth Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 22 May 2017. Only members whose name appears on the Record of Depositors as at 22 May 2017 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 5 : Authority to Directors to Allot and Issue Shares

The Proposed Ordinary Resolution 5, if passed, is a renewal of the 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.

As at the date of this Notice, no new shares in the Company were issued pursuant to the general mandate granted to the Directors at the Ninth Annual General Meeting held on 20 May 2016 and which will lapse at the conclusion of the Tenth Annual General Meeting.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

The Director who standing for re-election at the Tenth Annual General Meeting of the Company is :

i) Meng Xiangzhen (Ordinary Resolution 2)

The profile of the Director standing for re-election is shown on page 3 of the Annual Report 2016.

The details of the Directors' attendance at Board Meetings are disclosed in the Corporate Governance Statement on page 19 of the Annual Report 2016.

The Tenth Annual General Meeting of the Company will be held at Sri Banang II, Mutiara Johor Bahru, Jalan Dato Sulaiman, Taman Century, K.B No. 779, 80990 Johor Darul Takzim, Malaysia on Monday, 29 May 2017 at 10.00 a.m.

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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 Tenth Annual General Meeting of the Company to be held at Sri Banang II, Mutiara Johor Bahru, Jalan Dato Sulaiman, Taman Century, K.B No. 779, 80990 Johor Darul Takzim, Malaysia on Monday, 29 May 2017 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.	ORDINARY RESOLUTIONS	FOR	AGAINST
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2016 and Reports of the Directors' and Auditors thereon.		
2	To re-elect Meng Xiangzhen as Director.		
3	To approve the payment of Directors' fees.		
4	To re-appoint Messrs RT LLP as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.		
5	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.
7. For the purpose of determining a member who shall be entitled to attend the Tenth Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 22 May 2017. Only members whose name appears on the Record of Depositors as at 22 May 2017 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

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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

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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)