



ERRATA TO ANNUAL REPORT 2016

To the Shareholders of HB Global Limited,

With reference to the Company's Annual Report issued on 28 April 2017, please be informed that the amendments which highlighted in ***Bold and Italic*** are by this Errata amended, corrected and taken to read as shown herein instead of as printed in the Annual Report. Save for the said amendments, the rest of the contents on the relevant pages of the Annual Report 2016 remain unchanged.

Kindly refer to the attachment for further details of the amendments.

We apologise for any inconvenience caused.

Yours faithfully,
For and on behalf of
HB GLOBAL LIMITED

SHEN HENGBAO
Chief Executive Officer

1) Independent Auditor's Report to the Members of HB Global Limited (Page 37)

Report on the Audit of the Financial Statements

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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(b) to the financial statements, which indicates that 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 their 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 loans or alternative refinancing of the 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. As stated in Note 1(b) to the financial statements, these events or conditions, along with other matters as set forth in Note 1(b) to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's and Company's ability to continue as going concerns. Our opinion is not modified in respect of this matter.

Emphasis of Matter

Status of Regularisation Plan

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.

2) Consolidated Statement of Cash Flows (Page 47)

	Note	2016 RMB'000	Group 2015 RMB'000 (Re-presented)
Cash flows from operating activities			
Loss before income tax		(24,885)	(371,420)
Adjustments for:			
Depreciation of property, plant and equipment	9	18,694	25,908
Amortisation of land use rights	10	1,497	2,543
Impairment loss on advance payments of land use rights	6	373	99,634
Impairment loss on property, plant and equipment	9	2,961	111,972
Impairment loss on land use rights	10	325	46,360
Impairment loss on property, plant and equipment written back	9	(4,366)	(21,793)
Impairment loss on land use rights written back	10	(1,157)	-
Inventories written down	7	-	1,846
Biological assets written off	11	203	162
Gain on disposal of biological assets	11	(268)	-
Gain on fair value of biological assets	11	-	(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		2,552	-
Increase in biological assets		-	(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

3) Property, Plant And Equipment (Page 52)

Construction-in-progress, which represents *factory premises* 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.

4) Critical Accounting Judgements And Key Sources Of Estimation Uncertainty (Page 60)

(b) Key sources of estimation uncertainty

Impairment of non-financial assets

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 ***RMB4,366,000 and an impairment loss of RMB2,961,000 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 ***RMB1,157,000 and an impairment loss of RMB325,000*** for land use rights and an impairment loss of RMB373,000 for advance payments of land use rights.

The carrying amount of property, plant and equipment, land use rights and advance payments of land use rights are disclosed in Note 9, 10 and 6 respectively.

5) Prepayments (Page 62)

	Group	
	2016	2015
	RMB'000	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
	60,630	61,348

Movements in allowance for impairment loss on advance payment of land use rights:

	Group	
	2016	2015
	RMB'000	RMB'000
<i>Balance at beginning</i>	<i>99,634</i>	<i>-</i>
<i>Impairment loss recognised in profit and loss (Note 24)</i>	<i>373</i>	<i>99,634</i>
	<i>99,634</i>	<i>99,634</i>

<i>Balance at end</i>	<u>100,007</u>	<u>99,634</u>
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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:

6) Inventories (Page 63)

	Group	
	2016	2015
	RMB'000	RMB'000
Statement of financial position:		
Raw materials	1,727	2,368
Work-in-progress	-	211
Finished goods	2,688	6,162
	<u>4,415</u>	<u>8,741</u>
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 (<i>Note 24</i> and 26)	-	1,846

7) Investments in Subsidiaries (Page 64)

Details of the subsidiaries are as follows:

<u>Name</u>	<u>Country of incorporation/ place of operation</u>	<u>Percentage of equity held</u>		<u>Principal activities</u>
		2016 %	2015 %	
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 *an* opinion on the consolidated financial statements for the financial year ended 31 December 2015

Interest in subsidiaries with material non-controlling interest

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

8) Property, Plant and Equipment (Page 65)

Group Cost	Leasehold		Furniture, fittings and equipment	Motor vehicles	Other facilities	Renovation	Construction work-in- Progress	Total
	buildings and infrastructure	Plant and machinery						
	RMB'000	RMB'000						
	RMB'000	RMB'000						
At 1 January 2015	262,349	103,580	2,807	1,793	8,025	8,589	149,752	536,895
Additions (<i>Note 29</i>)	-	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 (<i>Note 29</i>)	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

9) Property, Plant and Equipment (Page 66)

Construction work-in-progress which are stated at cost, comprises *factory premises and 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.

Arising from this valuation, a reversal of impairment loss of RMB4,366,000 (2015: RMB21,793,000) representing an impairment loss written back was recognised in "Other income" (Note 23) in profit or loss. In addition, an impairment loss of RMB2,961,000 (2015: RMB111,972,000) was recognised in "Other expenses" (Note 24) in profit or loss.

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.

10) Land Use Rights (Page 66)

	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 (<i>Note 24</i>)	325	46,360
Reversal of impairment loss (<i>Note 23</i>)	(1,157)	-
	52,900	53,732
Balance at 31 December	64,858	65,523

11) Land Use Rights (Page 68)

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.

Arising from this valuation, a reversal of impairment loss of RMB1,157,000 (2015: Nil) representing an impairment loss written back was recognised in "Other income" (Note 23) in profit or loss. In addition, an impairment loss of RMB325,000 (2015: RMB46,360,000) was recognised in "Other expenses" (Note 24) in profit or loss.

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.

12) Biological Assets (Page 68)

	Group	
	2016 RMB'000	2015 RMB'000
Livestocks		
At valuation		
Balance at beginning	2,487	673
Increase due to purchases	-	1,000
Decrease due to Sales	(2,552)	-
Written off	(203)	(162)
Gain arising from changes in fair value less estimated point-of-sale costs	-	976
Gain arising from disposal	268	-
Balance at end	-	2,487

At the end of the reporting period, there are no more livestock (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 livestock 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 livestock was determined based on the actual selling prices approximating those at year end less estimated point-of-sale costs.

13) Equity Contribution Reserve (Page 73)

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

This equity contribution reserve is not distributable.

14) Other Income (Page 74)

	2016 RMB'000	Group 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 (Note 9)	4,366	21,793
- land use rights (Note 10)	1,157	-
Rental income	475	-
Sundry income	-	1
	<u>6,707</u>	<u>23,985</u>

15) Other Expenses (Page 74)

	2016 RMB'000	Group 2015 RMB'000
Disposals of consumable ducks	-	233
Biological assets written off	203	162
Impairment loss on:		
- advance payments of land use rights (Note 7 and 33)	373	99,634
- property, plant and equipment (Note 9 and 33)	2,961	111,972
- land use rights (Note 10 and 33)	325	46,360
Inventories written down (Note 7)	-	1,846
Loss on striking off of subsidiaries	-	17
	<u>3,862</u>	<u>260,224</u>

16) Taxation (Page 75)

	Group	
	2016 RMB'000	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)	(92,552)
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	75,530
- tax losses disregarded	2,506	17,264
- overprovision of income tax in prior financial year	-	897
	-	897

17) Taxation (Page 76)

Unutilised tax losses

As at 31 December 2016, the Group has unutilised tax losses of approximately **RMB342,063,000 (2015: RMB329,009,000)** 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
<u>Expiring in:</u>		
2019	26,652	26,652
2020	302,357	302,357
2021	13,054	-
	342,063	329,009

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 *subsidiaries* has unappropriated profits amounted to RMB 240,553,000 (2015: RMB 253,608,000) 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 *subsidiaries* for which deferred tax liabilities have not been recognised is **RMB 24,055,300 (2015: RMB 25,360,800)**. 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.

18) Segment Information (Page 80)

Other segment information

Depreciation and amortisation (<i>Note 9 and 10</i>)	20,191
Interest income (<i>Note 23</i>)	84
Interest expense (<i>Note 25</i>)	15,054
Impairment loss on:	
- advance payments of land use rights (<i>Note 24</i>)	373
- property, plant and equipment (<i>Note 24</i>)	2,961
- land use rights (<i>Note 24</i>)	325
Capital expenditure	4,931

19) Segment Information (Page 81)

Other segment information

Depreciation and amortisation (<i>Note 9 and 10</i>)	28,451
Interest income (<i>Note 23</i>)	78
Interest expense (<i>Note 25</i>)	5,405
Impairment loss on:	
- advance payments of land use rights (<i>Note 24</i>)	99,634
- property, plant and equipment (<i>Note 24</i>)	111,972
- land use rights (<i>Note 24</i>)	46,360
Capital expenditure	13

20) Interest Rate Risk (Page 82)

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 *loss* before tax would increase or decrease by RMB130,000 (2015: Nil), as a result of lower or higher interest expense on these borrowings.

21) Liquidity Risk (Page 83)

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 *as and* 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.

22) Capital Management (Page 86)

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.

The Group's overall strategy remains unchanged from 2015.

23) Prior Year Restatements, Reclassifications And Comparative Figures (Page 89)

RECLASSIFICATIONS

- 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 and separately disclosing it on the face *of the* statements of financial position;