



恒宝环球

**HB Global Limited**

(Company Registration No.: 200608505W)  
(Malaysian Foreign Company Registration No.: 995221-H)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR  
THE SECOND QUARTER ENDED 30 JUNE 2017

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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2017

#### Unaudited Condensed Consolidated Statement Of Comprehensive Income

	Quarter Ended	Preceding Year Corresponding Quarter	Quarter Ended	Preceding Year Corresponding Quarter	Year to Date Ended	Year to Date Ended	Year to Date Ended	Year to Date Ended
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Revenue	28,223	32,288	17,857	19,575	57,134	56,260	36,149	34,108
Cost of sales	(18,202)	(33,363)	(11,516)	(20,226)	(39,876)	(63,166)	(25,229)	(38,294)
Gross profit / (loss)	10,021	(1,075)	6,341	(651)	17,258	(6,906)	10,920	(4,186)
Other operating income	1,849	33	1,170	20	1,914	76	1,211	46
Selling and distribution expenses	(226)	(378)	(143)	(229)	(604)	(625)	(382)	(379)
General and administrative expenses	(6,861)	(2,739)	(4,341)	(1,661)	(12,296)	(10,781)	(7,780)	(6,536)
Other operating expenses	(56)	(638)	(36)	(387)	(817)	(1,505)	(517)	(913)
Operating profit / (loss)	4,727	(4,797)	2,991	(2,908)	5,455	(19,741)	3,452	(11,968)
Finance costs	(1,565)	(3,646)	(990)	(2,211)	(3,268)	(7,004)	(2,068)	(4,246)
Profit / (loss) before taxation	3,162	(8,443)	2,001	(5,119)	2,187	(26,745)	1,384	(16,214)
Taxation	-	-	-	-	-	-	-	-
Profit / (loss) after taxation	3,162	(8,443)	2,001	(5,119)	2,187	(26,745)	1,384	(16,214)
Other comprehensive income for the period (net of tax)	-	-	-	-	-	-	-	-
Total comprehensive income / (loss) after tax	3,162	(8,443)	2,001	(5,119)	2,187	(26,745)	1,384	(16,214)



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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2017

#### Unaudited Condensed Consolidated Statement Of Comprehensive Income (continue)

	Quarter Ended	Preceding Year Corresponding Quarter	Quarter Ended	Preceding Year Corresponding Quarter	Year to Date Ended	Year to Date Ended	Year to Date Ended	Year to Date Ended
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Profit / (loss) attributable to:-								
- Equity holders of HB	3,162	(8,443)	2,001	(5,119)	2,187	(26,745)	1,384	(16,214)
-Non-controlling interest	-	-	-	-	-	-	-	-
Total comprehensive income attributable to:-								
- Equity holders of HB	3,162	(8,443)	2,001	(5,119)	2,187	(26,745)	1,384	(16,214)
-Non-controlling interest	-	-	-	-	-	-	-	-
Earning Per Share *								
- Basic (RMB cents/ sen)	0.68	(1.80)	0.43	(1.09)	0.47	(5.71)	0.30	(3.46)
- Diluted (RMB cents/ sen)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Note:

The financial statements are presented in Renminbi ("RMB") and translated into Ringgit Malaysia ("RM") for information purposes and reference at the exchange rate of RMB1: RM0.6327 at 30 June 2017 and : RM0.6063 at 30 June 2016 with comparatives are shown for illustration purpose. This translation should not be construed as a representation that RMB amounts actually represented have been or could be converted in RM at this or any other rate.



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## HB Global Limited

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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2017

#### Condensed Consolidated Statements of Financial Positions

	Unaudited As at 30 June 2017	Audited As at 31 Dec 2016	Unaudited As at 30 June 2017	Audited As at 31 Dec 2016
	RMB'000	RMB'000	RM'000	RM'000
<b>Non-Current Assets</b>				
Property, plant and equipment	222,466	228,224	140,754	147,204
Construction in progress	72,911	72,911	46,131	47,028
Land use right	63,518	64,858	40,188	41,833
	358,895	365,993	227,073	236,065
<b>Current Assets</b>				
Inventories	21,130	4,415	13,369	2,848
Trade and other receivables	13,983	20,688	8,847	13,344
Prepayment for land use right	60,630	60,630	38,360	39,106
Cash and bank balance	4,082	10,121	2,583	6,528
	99,825	95,854	63,159	61,826
<b>TOTAL ASSETS</b>	458,720	461,847	290,232	297,891
<b>Capital and Reserves</b>				
Share capital	146,161	146,161	92,476	94,273
Reserves	67,483	67,483	42,696	43,527
Retained earnings	72,356	70,169	45,780	45,259
Non-controlling interest	404	404	256	260
<b>Total Equity</b>	286,404	284,217	181,208	183,319
<b>Non-Current Liabilities</b>				
Borrowings	15,626	15,626	9,887	10,079
Bank loans	-	14,600	-	9,417
	15,626	30,226	9,887	19,496
<b>Current Liabilities</b>				
Trade payables and other payables	39,258	16,183	24,838	10,438
Income tax liabilities	-	-	-	-
Amount due to shareholder	2,839	2,839	1,796	1,831
Amount due to director	26,793	25,482	16,952	16,436
Short-term loan	87,800	92,900	55,551	59,921
Bills payables	-	10,000	-	6,450
	156,690	147,404	99,137	95,076
<b>Total Liabilities</b>	172,316	177,630	109,024	114,572
<b>TOTAL EQUITY AND LIABILITIES</b>	458,720	461,847	290,232	297,891
Net asset per share attributable to equity holders of the Company (RMB / RM) <sup>(1)</sup>	0.61	0.61	0.39	0.39

Note:

- (1) The net assets per share attributable to equity holders of the Company is computed based on the net assets as at 30 June 2017 and 31 December 2016 divided by the number of ordinary shares of 468,000,000.
- (2) The financial statements are presented in Renminbi ("RMB") and translated into Ringgit Malaysia ("RM") for information purposes and reference at the exchange rate of RMB1:RM0.6327 at 30 June 2017 and 1:RM0.6450 at 31 December 2016 with comparatives are shown for illustration purpose. This translation should not be construed as a representation that RMB amounts actually represented have been or could be converted in RM at this or any other rate.



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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2017

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

<b>6 months ended 30 June 2017</b>	<b>Share capital</b>	<b>Statutory reserves</b>	<b>Capital reserves</b>	<b>Equity contribution reserves</b>	<b>Retained earnings</b>	<b>Non-controlling interest</b>	<b>Total equity</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
At 1 January 2017	146,161	76,090	(16,844)	8,237	70,169	404	284,217
Total comprehensive income for the period	-	-	-	-	2,187	-	2,187
At 30 June 2017	<u>146,161</u>	<u>76,090</u>	<u>(16,844)</u>	<u>8,237</u>	<u>72,356</u>	<u>404</u>	<u>286,404</u>

<b>6 months ended 30 June 2017</b>	<b>Share capital</b>	<b>Statutory reserves</b>	<b>Capital reserves</b>	<b>Equity contribution reserves</b>	<b>Retained earnings</b>	<b>Minority interest</b>	<b>Total equity</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January 2017	92,476	48,142	(10,658)	5,212	44,396	256	179,824
Total comprehensive income for the period	-	-	-	-	1,384	-	1,384
At 30 June 2017	<u>92,476</u>	<u>48,142</u>	<u>(10,658)</u>	<u>5,212</u>	<u>45,780</u>	<u>256</u>	<u>181,208</u>

Note:

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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2017

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

<b>6 months ended 30 June 2016</b>	<b>Share capital</b>	<b>Statutory reserves</b>	<b>Fair value adjustments reserves</b>	<b>Retained earnings</b>	<b>Non- controlling interest</b>	<b>Total equity</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
At 1 January 2016	146,161	59,246	7,585	95,706	404	309,102
Total comprehensive loss for the period	-	-	-	(26,745)	-	(26,745)
At 30 June 2016	<u>146,161</u>	<u>59,246</u>	<u>7,585</u>	<u>68,961</u>	<u>404</u>	<u>282,357</u>

<b>6 months ended 30 June 2016</b>	<b>Share capital</b>	<b>Statutory reserves</b>	<b>Fair value adjustments reserves</b>	<b>Retained earnings</b>	<b>Non- controlling interest</b>	<b>Total equity</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January 2016	88,610	35,918	4,598	58,022	245	187,393
Total comprehensive loss for the period	-	-	-	(16,214)	-	(16,214)
At 30 June 2016	<u>88,610</u>	<u>35,918</u>	<u>4,598</u>	<u>41,808</u>	<u>245</u>	<u>171,179</u>

Note:

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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2017

#### Unaudited Condensed Consolidated Statements Of Cash Flow

	As at 30 June 2017	As at 31 December 2016	As at 30 June 2017	As at 31 December 2016
	RMB'000	RMB'000	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit / (loss) before income tax	2,187	(24,885)	1,384	(16,051)
Adjustments for:				
Depreciation	5,334	18,694	3,375	12,057
Amortisation of land use rights	1,339	1,497	848	966
Impairment loss on property, plant and equipment, land use rights and advance payments of land use rights	-	3,659	-	2,360
Impairment loss on property, plant and equipment written back	-	(4,366)	-	(2,816)
Impairment loss on land use rights written back	-	(1,157)	-	(746)
Biological assets written off	-	203	-	130
Gain on disposal of biological assets	-	(268)	-	(173)
Property, plant and equipment written off	424	-	268	-
Unrealised foreign exchange loss	503	1,100	318	710
Interest income	-	(84)	-	(54)
Interest expense	3,268	15,054	2,068	9,710
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>13,055</b>	<b>9,447</b>	<b>8,261</b>	<b>6,093</b>
In inventories	(16,715)	4,326	(10,576)	2,790
In trade and other receivables	6,705	(4,734)	4,242	(3,053)
In trade and other payables	22,573	(1,275)	14,282	(822)
<b>Cash from operations</b>	<b>25,618</b>	<b>7,764</b>	<b>16,209</b>	<b>5,008</b>
Interest paid	(3,268)	-	(2,068)	-
Interest received	-	84	-	54
<b>Net cash from operating activities</b>	<b>22,350</b>	<b>7,848</b>	<b>14,141</b>	<b>5,062</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Addition of property, plant and equipment	-	(4,712)	-	(3,039)
Proceeds from disposal of biological assets	-	2,552	-	1,646
<b>Net cash used in investing activities</b>	<b>-</b>	<b>(2,160)</b>	<b>-</b>	<b>(1,393)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from borrowings from directors	1,311	544	829	351
Repayment of third parties	-	(100,000)	-	(64,500)
(Repayment of) / proceeds from loans	(29,700)	107,500	(18,791)	69,338
Proceeds from bills payables	-	10,000	-	6,450
Interest expenses	-	(14,311)	-	(9,231)
<b>Net cash (used in) / generated from financing activities</b>	<b>(28,389)</b>	<b>3,733</b>	<b>(17,962)</b>	<b>2,408</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(6,039)</b>	<b>9,421</b>	<b>(3,821)</b>	<b>6,077</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>	<b>10,121</b>	<b>700</b>	<b>6,404</b>	<b>451</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	<b>4,082</b>	<b>10,121</b>	<b>2,583</b>	<b>6,528</b>

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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2017

#### A. SELECTED EXPLANATORY NOTES TO THE UNAUDITED FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2017

##### 1. Basis of preparation

###### a) Basis of accounting

The financial statements are unaudited and have been prepared in accordance with the International Accounting Standards (“IAS”), IAS 34 Interim Financial Reporting and paragraph 9.22 and Part A of Appendix 9B of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, and should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to this unaudited financial report.

As of 31 December 2016, 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. Hence, our auditor have issued a statement of “Material Uncertainty Related to Going Concern” (“Statement”) in respect of HB’s Audited Financial Statements for the financial year ended 31 December 2016. However, the financial statements of the Group have been prepared on a going-concern basis.

###### b) Changes in accounting policies

There are no changes in accounting policies for the quarter ended 30 June 2017.

###### c) Basis of consolidation

The financial statements of the Group include the financial statements of the Company and its subsidiary made up to the end of the financial year.

The Group was formed as a result of the restructuring exercise undertaken on 25 September 2009 for the purpose of the Company’s listing on the main market of the Bursa Malaysia Securities Berhad. The acquisition of 100% equity in the subsidiary, namely Rizhao Hengbao Foodstuffs Co., Ltd pursuant to the restructuring exercise under common control has been accounted for using the pooling-of-interest method. Under the pooling-of-interest method, the consolidated financial statements of the Group have been presented as if the Group structure immediately after the restructuring has been in existence since the earliest financial year presented. The assets and liabilities were brought into the consolidated statement of financial position at their existing carrying amounts. The pooling-of-interest method will continue to be used for the entities in existence up to the Group’s reorganization exercise.

All inter-company balances and significant inter-company transactions and resulting unrealized profits and losses are eliminated on consolidation and the consolidated financial statements reflect external transactions and balances only. The results of subsidiaries acquired or disposed of during the financial year are included or excluded from the consolidated statement of comprehensive income from the effective date in which control is transferred to the Group or in which control ceases, respectively.

Where accounting policies of a subsidiary do not confirm with those of the Company, adjustments are made on consolidation when the amounts involved are considered significant to the Group.

##### 2. Audit report of the Group’s preceding annual financial statements

The Group’s audited consolidated financial statements for the financial year ended 31 December 2016 were not subject to any audit qualification.





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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2017

**3. Seasonality or cyclical operation**

The business of the Group was not affected by any significant seasonal and cyclical factors for the current quarter and financial year-to-date.

**4. Unusual items**

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group for the current quarter and financial year-to-date.

**5. Changes in estimates**

There were no material changes in estimates for the current quarter and financial year-to-date.

**6. Changes in share capital and debts**

There were no issuance, cancellations, repurchase, resale and repayment of debt and equity securities, share buy backs, share cancellation, shares held as treasury share and resale of treasury shares for the current financial year to date.

**7. Dividends**

In view of the current business climate, no dividend was declared or paid by the Group in the current quarter under review.

**8. Segment information**

<b>Financial Year Ended 30 June 2017</b>					
	<b><u>Ready-to-serve Food</u></b> RMB'000	<b><u>Frozen Vegetables</u></b> RMB'000	<b><u>Duck Farming</u></b> RMB'000	<b><u>Others</u></b> RMB'000	<b><u>Total</u></b> RMB'000
Revenue	22,630	22,201	-	12,303	57,134
<b>Segment results</b>	5,617	9,134	-	2,507	17,258
Other income					1,914
Unallocated costs					(13,717)
Finance expenses					(3,268)
Profit before income tax					2,187
Income tax expense					-
<b>Profit for the period</b>					<b>2,187</b>
<b>Other segment information:</b>					
Depreciation and amortisation					6,673
Capital expenditures					-

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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2017

#### 8. Segment information (continue)

<u>Financial Period Ended 30 June 2017</u>					
	<u>Ready-to- serve Food</u> RM'000	<u>Frozen Vegetables</u> RM'000	<u>Duck Farming</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
Revenue	14,318	14,047	-	7,784	36,149
<b>Segment results</b>	3,554	5,779	-	1,587	10,920
Other income					1,211
Unallocated costs					(8,679)
Finance expenses					(2,068)
Profit before income tax					1,384
Income tax expense					-
<b>Profit for the period</b>					<b>1,384</b>
<b>Other segment information:</b>					
Depreciation and amortisation					4,223
Capital expenditures					-

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



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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2017

#### 8. Segment information (continue)

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

Note:

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#### 9. Subsequent events

There were no material events as at the date of this announcement that will affect the results of the current quarter and financial year-to-date.

#### 10. Material Uncertainty Related to Going Concern

The Board of Directors of HB Global Limited ("HB" or "the Company") wishes to announce that its external auditors, RT LLP have issued a statement of "Material Uncertainty Related to Going Concern" ("Statement") in respect of HB's Financial Statements for 31 December 2016 ("FS 2016").

Pursuant to Paragraph 9.19(37) of the Main Market Listing Requirements, the description of the Statement is as follows:

##### "Material Uncertainty Related to Going Concern

As of 31 December 2016, 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. These events or conditions indicate that a material uncertainty exists that may cast



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significant doubt on the Group's ability to continue as a going concern, hence, our auditor have issued a statement of "Material Uncertainty Related to Going Concern" ("Statement") in respect of HB's Audited Financial Statements for the financial year ended 31 December 2015. Our opinion is not modified in respect of this matter.

#### 11. Changes in the composition of the Group

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

#### 12. Contingent liability or assets

There were no material contingent liabilities or assets which may have material effect on the financial position of the Group.

#### 13. Non-current assets

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

#### 14. Capital commitment

Save as disclosed below, the Group is not aware of any material commitments, which upon becoming enforceable may have a material effect on the financial position of our Group:-

	RMB'000	RM'000
Construction of meat duck farms	52,720	33,356
Construction of Feedstock plant	30,000	18,981
Power station, compressor and cabling	11,800	7,466

The management has identified various sources of funds available to meet the above capital commitments.

#### 15. Significant related party transactions

Key management personnel compensation is analysed as follows:

	Individual Quarter		Cumulative Quarter	
	RMB'000	RM'000	RMB'000	RM'000
Salaries and other short-term employee benefits	700	443	350	221
Post employment benefits	-	-	-	-

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#### **B. INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD UNDER LISTING REQUIREMENTS**

##### **1. Review of the performance of the Group**

###### **Review of Group Comprehensive Income**

The Group's revenue increased slightly by RMB0.8 million or approximately 1.4% from RMB56.3 million in financial period ended 30 June 2016 ("FPE2016") to RMB57.1 million in financial period ended 30 June 2017 ("FPE2017"). The increase was mainly due to the sharp increase in sales of our Frozen Vegetable products but partly offset by the decrease of RTS products and the ceased operation of Duck Farming business.

Gross Profit ("GP") margin increased sharply from Gross Loss ("GL") 12.3% for FPE2016 to GP margin of 30.2% for FPE2017. This was mainly attributable to the cessation of Duck Farming segment which no longer contribute to GL in FPE2017 and our RTS, other products and Frozen Vegetable products were showing healthy GP. GP margin for RTS Foods has improved from 3.4% for FPE2016 to 24.8% for FPE2017 and this mainly attributable to the increased demand from local customers with no currency risk and improved pricing in our export market for the current quarter where new pricing started to take effect in April 2017. The increased GP margin for Frozen Vegetable from 16.4% in FPE2016 to 41.1% in FPE2017 was mainly due to several new products were introduced during the quarter with higher GP margin. Other operating income increased by RMB1.8 million in FPE2017 was mainly due to rental income from the duck farming facilities.

Selling and distribution expenses had shown slight decrease when compared against FPE2016. General and administration expenses increased by RMB1.5 million in FPE2017 was mainly due to recognition of directors' remunerations and fees on a quarterly basis which led to increase of RMB1.3 million. Other operating expense decreased was mainly due decrease in unrealised exchange loss. The Group showed net profit before taxation of RMB2.2 million in FPE2017 as compared to net loss before taxation of RMB26.7 million in FPE2016 was mainly due to the higher GP margin achieved for all products.

###### **Review of Balance Sheet**

There is no addition to property, plant and equipment for the current quarter as the Group had slowed down the investment in PPE during the period under review.

The increase in inventories from RMB4.4 million in FPE2016 to RMB21.1 million in FPE2017 was mainly due to increase in orders placed by customers for delivery in next quarter. Trade receivables decreased by RMB6.7 million from RMB20.7 million in FPE2016 to RMB14.0 million in FPE2017 mainly due to improved collections and monitoring of credit terms given to customers during the quarter under review. Trade payables increased from RMB16.2 in FPE2016 to RMB39.3 million in FPE2017 was mainly due to the extended payment term with our suppliers and increase purchases in the current quarter.

The repayment of bank loan during FPE2017 led to decrease in short term borrowing of RMB5.1 million and long term loan of RMB14.6 million during the period under review.

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

Net cash from operating activities increased by RMB14.6 million from RMB7.8 million in FPE2016 to RMB22.4 million in FPE2017. The increase was mainly due to the net profit during the period under review.

Net cash used in investing activities decreased by RMB2.1 million in FPE2017 was mainly due to no investment activities during the period. Net cash used in financing activities increased by RMB28.4 million in FPE2017 was mainly due to the repayment of bank borrowing.



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

	Current Quarter 30 June 2017		Preceding Quarter 31 Mar 2017	
	RMB'000	RM'000	RMB'000	RM'000
Revenue	28,223	17,857	28,911	18,532
Profit / (Loss) Before Taxation	3,162	2,001	(974)	(625)
Profit / (Loss) After Taxation	3,162	2,001	(974)	(625)

The Group recorded revenue of RMB28.2 million in the current quarter, which is a slight decrease by RMB0.7 million or 2.4% from RMB28.9 million in the immediate preceding quarter due to continued demand for our RTS products from local and overseas market in current quarter.

The Group recorded profit before taxation and profit after taxation as compared to loss before taxation and loss after taxation in preceding quarter was mainly due to the sharp increase in gross profit of our products.

#### 3. Prospects for FYE 2017

Barring any unforeseen circumstances, the Group is poised to perform better since the cessation of duck farming segment from July 2016 which proven to be a torn in the past. The Group is now focused on its core business in food processing segment and continue putting efforts in rebuilding the business surrounding profitable segments, despite the current challenging economy.

#### 4. Profit forecast

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

#### 5. Income tax expenses

	Individual Quarter		Cumulative Quarter	
	RMB'000	RM'000	RMB'000	RM'000
Income tax expenses	-	-	-	-

##### PRC Tax

The PRC income tax is computed according to the relevant laws and regulations in the PRC. The applicable income tax rate is 25% for current quarter and financial year-to-date.

##### Singapore tax

No provision for Singapore income tax was made as the dividends receivable by the Company from its subsidiary, if any, will not be taxable under the applicable law.

The effective tax rate of our Group for the current quarter and financial year-to-date was approximately (2.9%) as compared to the applicable tax rate of 25.0% due to permanent difference in the tax treatment of expenses that are not deductible under China tax.

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

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



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

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

#### 8. Status of utilization of proceeds

During the period under review there is no issue of new shares.

#### 9. Group's borrowings and debt securities

The Group's borrowings and debt securities as of 30 June 2017 were as follows:

	RMB'000	RM'000
Loans – unsecured*	15,626	9,887
Short-term Loan – unsecured	17,300	10,946
Short-term Loan – secured®	70,500	44,605

##### Loans – unsecured\*

On 25 September 2009, the subsidiary company entered into a loan agreement with Shen Hengbao, Meng Xiangzhen, Wu Fang, Yao Zhifang and Shi Geli (collectively referred to as the “Ultimate-shareholders”) amounting to RMB21.80 million as lenders. The loan is interest free. The tenure of the loan is 10 years and will be automatically renewed for another 10 years unless the Directors decide that the loan is no longer required.

Notes:-

(a) After incorporating the fair value adjustment made on the loan from Ex-shareholders amounting to RMB15.31 million.

##### Short-term Loan – secured®

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

#### 10. Off-balance sheet financial instrument risks

There are no financial instruments with off-balance sheet risks as at the date of this report.

#### 11. Changes in material litigation

As at the date of this report, there has been no litigation or arbitration, which has a material effect on the financial position of the Group and the Board is not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings.



恒宝环球

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#### 12. Realised and Unrealised Profit/Losses Disclosure

The retained earnings as at 30 June 2017 and 31 March 2017 are analysed as below:

	Current Financial Period		Preceding Financial Period	
	RMB'000	RM'000	RMB'000	RM'000
Total Retained Earnings of the Company and its subsidiary:				
- Realised	72,859	46,098	69,808	44,747
- Unrealised	(503)	(318)	(613)	(393)
Total Group Retained Earnings	72,356	45,780	69,195	44,354





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**13. Earning per share**

*Basic Earning per Share*

	Quarter Ended <u>30 Jun 2017</u> RMB'000	Preceding Year Corresponding Quarter <u>30 Jun 2016</u> RMB'000	Quarter Ended <u>30 Jun 2017</u> RM'000	Preceding Year Corresponding Quarter <u>30 Jun 2016</u> RM'000	Year to Date Ended <u>30 Jun 2017</u> RMB'000	Year to Date Ended <u>30 Jun 2016</u> RMB'000	Year to Date Ended <u>30 Jun 2017</u> RM'000	Year to Date Ended <u>30 Jun 2016</u> RM'000
Profit / (loss) attributable to - equity holders of the company	3,162	(8,443)	2,001	(5,119)	2,187	(26,745)	1,384	(16,214)
Weighted average number of ordinary share in issue ('000)	468,000	468,000	468,000	468,000	468,000	468,000	468,000	468,000
Earning Per Share - Basic (cents/ sen)	0.68	(1.80)	0.43	(1.09)	0.47	(5.71)	0.30	(3.46)

By Order of the Board

SHEN HENGBAO  
Chief Executive Officer