



恒宝环球

**HB Global Limited**

(Company Registration No.: 200608505W)

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR  
THE FOURTH QUARTER ENDED 31 DECEMBER 2017

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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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
	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Revenue	70,650	46,687	44,015	30,113	167,706	145,154	104,481	93,624
Cost of sales	(46,201)	(32,465)	(28,783)	(20,940)	(114,590)	(130,504)	(71,390)	(84,175)
Gross profit	24,449	14,222	15,232	9,173	53,116	14,650	33,091	9,449
Other operating income	11,975	1,679	7,460	1,083	13,577	6,707	8,458	4,326
Selling and distribution expenses	(848)	(1,343)	(528)	(866)	(1,758)	(2,419)	(1,095)	(1,560)
General and administrative expenses	(8,869)	(12,685)	(5,525)	(8,182)	(28,568)	(24,907)	(17,798)	(16,065)
Other operating expenses	(5,119)	(373)	(3,189)	(241)	(7,036)	(3,862)	(4,383)	(2,491)
Operating profit/(loss)	21,588	1,500	13,450	967	29,331	(9,831)	18,273	(6,341)
Finance costs	(2,117)	(5,847)	(1,319)	(3,771)	(6,860)	(15,054)	(4,274)	(9,710)
Profit/(loss) before taxation	19,471	(4,347)	12,131	(2,804)	22,471	(24,885)	13,999	(16,051)
Taxation	-	-	-	-	-	-	-	-
Profit/(loss) after taxation	19,471	(4,347)	12,131	(2,804)	22,471	(24,885)	13,999	(16,051)
Other comprehensive income for the period (net of tax)	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) after tax	19,471	(4,347)	12,131	(2,804)	22,471	(24,885)	13,999	(16,051)



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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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
	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Profit/(loss) attributable to:-								
- Equity holders of HB	19,471	(4,347)	12,131	(2,804)	22,471	(24,885)	13,999	(16,051)
-Non-controlling interest		-		-				
Total comprehensive income attributable to:-								
- Equity holders of HB	19,471	(4,347)	12,131	(2,804)	22,471	(24,885)	13,999	(16,051)
-Non-controlling interest		-		-				
Earning Per Share *								
- Basic (RMB cents/ sen)	4.16	(0.93)	2.59	(0.60)	4.80	(5.32)	2.99	(3.43)
- 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: RM0.6230 at 31 December 2017 and RMB1 : 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 FOURTH QUARTER ENDED 31 DECEMBER 2017

#### Condensed Consolidated Statements of Financial Positions

	Unaudited As at 31 Dec 2017	Audited As at 31 Dec 2016	Unaudited As at 31 Dec 2017	Audited As at 31 Dec 2016
	RMB'000	RMB'000	RM'000	RM'000
<b><u>Non-Current Assets</u></b>				
Property, plant and equipment	209,764	228,224	130,683	147,204
Construction in progress	74,923	72,911	46,677	47,028
Land use right	59,232	64,858	36,902	41,833
	343,919	365,993	214,262	236,065
<b><u>Current Assets</u></b>				
Inventories	7,752	4,415	4,829	2,848
Trade and other receivables	59,565	20,688	37,109	13,344
Prepayment for land use right	60,857	60,630	37,914	39,106
Cash and bank balance	406	10,121	253	6,528
	128,580	95,854	80,105	61,826
<b>TOTAL ASSETS</b>	<b>472,499</b>	<b>461,847</b>	<b>294,367</b>	<b>297,891</b>
<b><u>Capital and Reserves</u></b>				
Share capital	146,161	146,161	91,058	94,273
Reserve	67,483	67,483	42,042	43,527
Non-controlling interest	404	404	252	260
Retained profit	92,640	70,169	57,715	45,259
<b>Total Equity</b>	<b>306,688</b>	<b>284,217</b>	<b>191,067</b>	<b>183,319</b>
<b><u>Non-Current Liabilities</u></b>				
Borrowings	16,365	15,626	10,195	10,079
Bank loans	-	14,600	-	9,417
	16,365	30,226	10,195	19,496
<b><u>Current Liabilities</u></b>				
Trade and other payables	39,817	16,183	24,806	10,438
Income tax liabilities	-	-	-	-
Amount due to shareholder	2,839	2,839	1,769	1,831
Amount due to director	26,190	25,482	16,316	16,436
Short-term loan	80,600	92,900	50,214	59,921
Bills payables	-	10,000	-	6,450
	149,446	147,404	93,105	95,076
<b>Total Liabilities</b>	<b>165,811</b>	<b>177,630</b>	<b>103,300</b>	<b>114,572</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>472,499</b>	<b>461,847</b>	<b>294,367</b>	<b>297,891</b>
Net asset per share attributable to equity holders of the Company (RMB / RM) <sup>(1)</sup>	0.66	0.61	0.41	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 31 December 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: RM0.6230 at 31 December 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 FOURTH QUARTER ENDED 31 DECEMBER 2017

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

<b>12 months ended 31 December 2017</b>	<b>Share capital</b>	<b>Capital Reserves</b>	<b>Statutory 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	(16,844)	76,090	8,237	70,169	404	284,217
Total comprehensive income for the period	-	-	-	-	22,471	-	22,471
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-
At 31 December 2017	<u>146,161</u>	<u>(16,844)</u>	<u>76,090</u>	<u>8,237</u>	<u>92,640</u>	<u>404</u>	<u>306,688</u>

<b>12 months ended 31 December 2017</b>	<b>Share capital</b>	<b>Capital Reserves</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>	<b>RM'000</b>
At 1 January 2017	91,058	(10,494)	47,404	5,132	43,716	252	177,068
Total comprehensive income for the period	-	-	-	-	13,999	-	13,999
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-
At 31 December 2017	<u>91,058</u>	<u>(10,494)</u>	<u>47,404</u>	<u>5,132</u>	<u>57,715</u>	<u>252</u>	<u>191,067</u>

Note:

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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017

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

<b>12 months ended 31 December 2016</b>	<b>Share capital</b>	<b>Capital Reserves</b>	<b>Statutory reserves</b>	<b>Fair value adjustment s reserves</b>	<b>Retained earnings</b>	<b>Non- controlling interest</b>	<b>Total equity</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
At 1 January 2016	146,161	(16,844)	76,090	8,237	95,054	404	309,102
Total comprehensive income for the period	-	-	-	-	(24,885)	-	(24,885)
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-
At 31 December 2016	<u>146,161</u>	<u>(16,844)</u>	<u>76,090</u>	<u>8,237</u>	<u>70,169</u>	<u>404</u>	<u>284,217</u>

<b>12 months ended 31 December 2016</b>	<b>Share capital</b>	<b>Capital Reserves</b>	<b>Statutory reserves</b>	<b>Fair value adjustment s reserves</b>	<b>Retained earnings</b>	<b>Non- controlling interest</b>	<b>Total equity</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January 2016	94,273	(10,864)	49,078	5,313	61,310	260	199,370
Total comprehensive income for the period	-	-	-	-	(16,051)	-	(16,051)
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-
At 31 December 2016	<u>94,273</u>	<u>(10,864)</u>	<u>49,078</u>	<u>5,313</u>	<u>45,259</u>	<u>260</u>	<u>183,319</u>

Note:

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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017

#### Unaudited Condensed Consolidated Statements Of Cash Flow

	As at 31 December 2017	As at 31 December 2016	As at 31 December 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	22,471	(24,885)	13,999	(16,051)
Adjustments for:				
Depreciation of property, plant and equipment	15,594	18,694	9,715	12,058
Amortisation of intangible assets	1,111	1,497	692	966
Impairment loss on advance payments of land use rights	-	373	-	241
Impairment loss on property, plant and equipment	3,980	2,961	2,480	1,909
Impairment loss on land use rights	280	325	174	209
Impairment loss on property, plant and equipment written back	(6,748)	(4,366)	(4,204)	(2,816)
Impairment loss on land use rights written back	(564)	(1,157)	(351)	(746)
Property, plant and equipment and biological assets written off	424	203	264	131
Gain on disposal of biological assets	-	(268)	-	(173)
Gain on disposal of property, plant and equipment	(2,548)	-	(1,587)	-
Loss on disposal of intangible assets	3,595	-	2,240	-
Interest income	(17)	(84)	(11)	(54)
Interest expense	6,122	15,054	3,814	9,709
Unrealised foreign exchange loss/(gain)	307	1,100	191	709
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>44,007</b>	<b>9,447</b>	<b>27,416</b>	<b>6,092</b>
In inventories	(3,337)	4,326	(2,079)	2,790
In trade and other receivables	(38,877)	(4,734)	(26,735)	(3,053)
In trade and other payables	23,609	(1,275)	17,223	(822)
<b>Cash from operations</b>	<b>25,402</b>	<b>7,764</b>	<b>15,825</b>	<b>5,007</b>
Interest received	17	84	11	54
<b>Net cash generated from operating activities</b>	<b>25,419</b>	<b>7,848</b>	<b>15,836</b>	<b>5,061</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Addition of property, plant and equipment and payment for CIP	(4,483)	(4,712)	(2,793)	(3,039)
Increase in biological assets	1,203	2,552	749	1,646
Proceed received from disposal of property, plant and equipment and land use rights	10,000	-	6,230	-
<b>Net cash generated from/(used in) investing activities</b>	<b>6,720</b>	<b>(2,160)</b>	<b>4,186</b>	<b>(1,393)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from/(repayment of) borrowings from directors	429	544	268	351
Proceeds from/(repayment of) borrowings from shareholders	739	-	460	-
(Repayment of)/loan from third parties	-	(100,000)	-	(64,500)
(Repayment of)/proceeds from bank loans	(36,900)	117,500	(22,989)	75,788
Interest expense	(6,122)	(14,311)	(3,814)	(9,231)
<b>Net cash (used in)/generated from financing activities</b>	<b>(41,854)</b>	<b>3,733</b>	<b>(26,075)</b>	<b>2,408</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(9,715)</b>	<b>9,421</b>	<b>(6,053)</b>	<b>6,076</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>	<b>10,121</b>	<b>700</b>	<b>6,306</b>	<b>452</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	<b>406</b>	<b>10,121</b>	<b>253</b>	<b>6,528</b>

Note:

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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017

#### A. SELECTED EXPLANATORY NOTES TO THE UNAUDITED FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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. The following paragraph is extracted from FYE2016 Audited Financial Statements:

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 September 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.





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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017

#### 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.

However the auditor draw attention to the material uncertainty related to going concern and key audit matters as follow:

#### Material Uncertainty Related to Going Concern and Key Audit Matters

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 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 2016.

Our opinion is not modified in respect of this matter.

#### Key Audit Matters

Key audit matters are those matters that, our external auditors, RT LLP in their professional judgement, were of most significance in their audit of the financial statements of FY2016. These matters were addressed in the context of their audit of the financial statements as a whole, and in forming their professional opinion thereon, and did not provide a separate opinion on these matters.

- I) Impairment of property, plant and equipment and land use right
- II) Advance payment for land use rights

The key audit matters highlighted by independent auditors had no material changes or further development as compared to 31 December 2016.

#### 3. Seasonality or cyclicity of operation

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

#### 4. Unusual items

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

#### 5. Changes in estimates

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



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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017

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

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

#### 7. Dividends

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

#### 8. Segment information

	<u>Financial Period Ended 31 December 2017</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	48,639	91,048	-	28,019	167,706
<b>Segment results</b>	12,476	33,779	-	6,861	53,116
Other income					13,577
Unallocated costs					(37,362)
Finance expenses					(6,860)
Profit before income tax					22,471
Income tax expense					-
<b>Profit for the period</b>					<b>22,471</b>
<b>Other segment information:</b>					
Depreciation and amortisation					16,705
Capital expenditures					4,483

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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017

#### 8. Segment information (continue)

<u>Financial Period Ended 31 December 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	30,302	56,723	-	17,456	104,481
<b>Segment results</b>	7,773	21,044	-	4,274	33,091
Other income					8,458
Unallocated costs					(23,276)
Finance expenses					(4,274)
Profit before income tax					13,999
Income tax expense					-
<b>Profit for the period</b>					<b>13,999</b>
<b>Other segment information:</b>					
Depreciation and amortisation					10,407
Capital expenditures					2,793

Note:

- (1) 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: RM0.6230 at 31 December 2017 and : 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.

<u>Financial Period Ended 31 December 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	53,524	55,702	6,401	29,527	145,154
<b>Segment results</b>	6,519	15,690	(10,079)	2,520	14,650
Other income					6,707
Unallocated costs					(31,188)
Finance expenses					(15,054)
Loss before income tax					(24,885)
Income tax expense					-
<b>Loss for the period</b>					<b>(24,885)</b>
<b>Other segment information:</b>					
Depreciation and amortisation					20,191
Capital expenditures					4,931



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#### 8. Segment information (continue)

	<b>Financial Period Ended 31 December 2016</b>				
	<b><u>Ready-to-serve Food</u></b> RM'000	<b><u>Frozen Vegetables</u></b> RM'000	<b><u>Duck Farming</u></b> RM'000	<b><u>Others</u></b> RM'000	<b><u>Total</u></b> RM'000
Revenue	34,523	35,928	4,129	19,044	93,624
<b>Segment results</b>	4,205	10,120	(6,501)	1,625	9,449
Other income					4,326
Unallocated costs					(20,116)
Finance expenses					(9,710)
Loss before income tax					(16,051)
Income tax expense					-
<b>Loss for the period</b>					<b>(16,051)</b>
<b>Other segment information:</b>					
Depreciation and amortisation					13,024
Capital expenditures					3,180

Note:

- (1) 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: RM0.6230 at 31 December 2017 and : 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.

#### 9. Subsequent events

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

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

There is no changes in the composition of the Group.

#### 11. Contingent liability or assets

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

#### 12. Non-current assets

The Group acquired additional non-current assets of total RMB8.5 million, consist of property, plant and equipment, construction in progress facilities and biological assets.



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#### 13. Capital commitment

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

	RMB'000	RM'000
Construction of meat duck farms	52,720	33,422
Construction of Feedstock plant	30,000	19,019
Power station, compressor and cabling	11,800	7,481

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

#### 14. Significant related party transactions

Key management personnel compensation is analysed as follows:

	Individual Quarter		Cumulative Quarter	
	RMB'000	RM'000	RMB'000	RM'000
Salaries and other short-term employee benefits	350	218	1,400	872
Post employment benefits	-	-	-	-

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

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

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

Our revenue increased by RMB22.5 million or approximately 15.5% from RMB145.2 million in financial year ended 31 December 2016 (“FYE2016”) to RMB167.7 million in financial year ended 31 December 2017 (“FYE2017”). The increase was mainly due to increase in sales of Frozen Vegetable products.

The Group has improved its Gross Profit (“GP”) margin from 10.1% in FYE2016 to 31.6% in FYE2017. This has marked an improvement since the Group ceased the duck farming segment in July 2016, focussing its resources on profitable food processing segment as compared to the duck farming which was running at a gross loss in prior year.

Other operating income increased by RMB6.9 million from RMB6.7 million in FYE2016 to RMB13.6 million in FYE2017. Included in other operating income for FYE2017 were reversal of impairment on property, plant and equipment of RMB8.3 million, rental income of RMB1.9 million, and gain on disposal of property, plant and equipment of RMB3.0 million. Whereas in FYE2016, other operating income included reversal of impairment on property, plant and equipment of RMB1.3 million, exchange gain of RMB0.9 million, rental income of RMB0.5 million and other revenues of RMB0.4 million.

Selling and distribution expenses decreased by RMB0.6 million in FYE2017 as a result of lower transportation and freight charges, travelling expenses and marketing fees incurred.

General and administration expenses had increased by RMB3.7 million in FYE2017 mainly due to general inflation.

Other operating expenses increased by RMB3.1 million in FYE2017 were mainly due to impairment loss on certain property, plant and equipment (“PPE”) for RMB4.4 million, loss on disposal of PPE for RMB1.5 million and PPE written off for an amount of RMB0.4 million.

The significant increase in net profit before taxation of RMB22.5 million in FYE2017 is the result of the above explanations and favourable gross profits achieved during the financial year.

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

There were minor additions to property, plant and equipment and construction in progress for the current year. These were mainly for the purposes of improving production facilities.

The increase in inventories of RMB3.4 million from FYE2016 was mainly to meet the increased demand of our products for coming month. Trade receivables increased by RMB38.9 million from RMB20.7 million in FYE2016 to RMB59.6 million in FYE2017 was mainly due to increased local demand of our products during the quarter under review as compared to preceding year corresponding quarter. Trade and other payables increased by RMB23.7 was mainly due to the increase in purchases in the current quarter to meet the increased demand of our products for coming month.

The repayment of bank loan during FYE2017 led to decrease in short term borrowing and bills payable of RMB10.0 million and long term loan of RMB14.6 million.

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

Net cash generated in operating activities increased in FYE2017 by approximately RMB17.6 million was mainly due to the improvement of GP margin of our products and the extended repayment period to trade and other payables but partly offset by the credit term given to our local customers.



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Net cash generated in investing activities increased to RMB6.7 million in FYE2017 was due to the disposal of old plants. Also there were additional production facilities acquired to meet the growing volume in our frozen vegetable products.

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

	Current Quarter 31 December 2017		Preceding Quarter 30 September 2017	
	RMB'000	RM'000	RMB'000	RM'000
Revenue	70,650	44,015	39,922	25,309
Profit before taxation	19,471	12,131	812	515
Profit after taxation	19,471	12,131	812	515

The Group recorded revenue of RMB70.7million in the current quarter, increased by approximately RMB30.8 million or 77.2% from RMB39.9 million in the immediate preceding quarter due to the improved local demand for our frozen vegetable products that ultimately exported.

The increase in profit before taxation and after taxation is mainly due to the better GP margin achieved and the reversal of impairment on property, plant and equipment for the current quarter.

#### 3. Prospects for FYE 2018

The Group had delivered a sterling performance in the current financial year ever since it embarked on its own self-rescue plan without any reliance on external parties when it undertook drastic measures in cessation of the duck farming segment since July 2016. The Group had met the requirements of achieving 2 consecutive profits and poised to continue to perform well barring any unforeseen circumstances in the challenging global economy as the Group continue to embark on capturing the local market and continue to work closely with its channel partners.

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



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

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

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

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

#### 8. Status of utilization of proceeds

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

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

The Group's borrowings and debt securities as of 31 December 2017 were as follows:

	RMB'000	RM'000
Loans – unsecured*	16,365	9,735
Short-term Loan – unsecured	25,600	15,948
Short-term Loan – secured <sup>®</sup>	55,000	34,265

##### 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<sup>®</sup>

The subsidiary company entered into several short-term agreements with several local banks for a total amount of RMB55 million 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.





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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017

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

The retained earnings as at 31 December 2017 and 30 September 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	92,947	57,906	73,624	46,676
- Unrealised	(307)	(191)	(454)	(288)
Total Group Retained Earnings	92,640	57,715	73,170	46,388

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THE FOURTH QUARTER ENDED 31 DECEMBER 2017

**13. Earning per share**

*Basic Earning per Share*

	Quarter Ended	Preceding Year	Quarter	Preceding Year	Year to Date	Year to Date	Year to Date	Year to Date
	31 Dec 2017	Corresponding	Ended	Corresponding	Ended	Ended	Ended	Ended
	31 Dec 2017	Quarter	31 Dec 2017	Quarter	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
	RMB'000	31 Dec 2016	RM'000	31 Dec 2016	RMB'000	RMB'000	RM'000	RM'000
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Profit/(loss) attributable to - equity holders of the company	19,471	(4,347)	12,131	(2,804)	22,471	(24,885)	13,999	(16,051)
Weighted average number of ordinary share in issue ('000)	468,000	468,000	468,000	468,000	468,000	468,000	468,000	468,000
Earning Per Share - Basic (RMB cents/ sen)	4.16	(0.93)	2.59	(0.60)	4.80	(5.32)	2.99	(3.43)

By Order of the Board

SHEN HENGBAO  
Chief Executive Officer