



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 FIRST QUARTER ENDED 31 MARCH 2018

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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018

#### 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 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Revenue	36,755	28,911	22,582	18,532	36,755	28,911	22,582	18,532
Cost of sales	(27,227)	(21,674)	(16,728)	(13,893)	(27,227)	(21,674)	(16,728)	(13,893)
Gross profit	9,528	7,237	5,854	4,639	9,528	7,237	5,854	4,639
Other operating income	1,065	64	654	41	1,065	64	654	41
Selling and distribution expenses	(471)	(377)	(289)	(242)	(471)	(377)	(289)	(242)
General and administrative expenses	(7,107)	(5,435)	(4,367)	(3,484)	(7,107)	(5,435)	(4,367)	(3,484)
Other operating expenses	(145)	(760)	(89)	(488)	(145)	(760)	(89)	(488)
Operating profit	2,870	729	1,763	466	2,870	729	1,763	466
Finance costs	(1,906)	(1,703)	(1,171)	(1,091)	(1,906)	(1,703)	(1,171)	(1,091)
Profit / (loss) before taxation	964	(974)	592	(625)	964	(974)	592	(625)
Taxation	-	-	-	-	-	-	-	-
Profit / (loss) after taxation	964	(974)	592	(625)	964	(974)	592	(625)
Other comprehensive income for the period (net of tax)	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) after tax	964	(974)	592	(625)	964	(974)	592	(625)



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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018

#### 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
	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Profit / (loss) attributable to:-								
- Equity holders of HB	964	(974)	592	(625)	964	(974)	592	(625)
- Non-controlling interest	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) attributable to:-								
- Equity holders of HB	964	(974)	592	(625)	964	(974)	592	(625)
- Non-controlling interest	-	-	-	-	-	-	-	-
Earning Per Share *								
- Basic (RMB cents/ sen)	0.21	(0.21)	0.13	(0.13)	0.21	(0.21)	0.13	(0.13)
- 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: RM0.6144 at 31 March 2018 and : RM0.6410 at 31 March 2017 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 FIRST QUARTER ENDED 31 MARCH 2018

#### Condensed Consolidated Statements of Financial Positions

	Unaudited As at 31 March 2018	Audited As at 31 Dec 2017	Unaudited As at 31 March 2018	Audited As at 31 Dec 2017
	RMB'000	RMB'000	RM'000	RM'000
<b>Non-Current Assets</b>				
Property, plant and equipment	235,519	240,395	144,703	149,766
Construction in progress	44,292	44,292	27,213	27,594
Land use right	59,232	59,232	36,392	36,902
	339,043	343,919	208,308	214,262
<b>Current Assets</b>				
Inventories	10,796	7,752	6,633	4,829
Trade and other receivables	46,938	59,565	28,839	37,109
Prepayment for land use right	60,858	60,858	37,391	37,915
Cash and bank balance	6,138	401	3,771	249
	124,730	128,576	76,634	80,102
<b>TOTAL ASSETS</b>	463,773	472,495	284,942	294,364
<b>Capital and Reserves</b>				
Share capital	146,161	146,161	89,801	91,058
Reserves	67,483	67,483	41,462	42,042
Retained earnings	93,242	92,278	57,288	57,489
Non-Controlling Interest	404	404	248	252
<b>Total Equity</b>	307,290	306,326	188,799	190,841
<b>Non-Current Liabilities</b>				
Borrowings	13,769	16,365	8,460	10,195
	13,769	16,365	8,460	10,195
<b>Current Liabilities</b>				
Trade and other payables	28,633	39,488	17,592	24,601
Income tax liabilities	-	-	-	-
Amount due to shareholder	2,839	2,839	1,744	1,769
Amount due to director	25,824	26,877	15,866	16,744
Short term loan	85,418	80,600	52,481	50,214
	142,714	149,804	87,683	93,328
<b>Total Liabilities</b>	156,483	166,169	96,143	103,523
<b>TOTAL EQUITY AND LIABILITIES</b>	463,773	472,495	284,942	294,364
Net asset per share attributable to equity holders of the Company (RMB / RM) <sup>(1)</sup>	0.66	0.65	0.40	0.41

The Company had submitted its Audited Financial Statements for the year ended 31 December 2017 on due date and had made announcement on 30 April 2018.

Note:

- (1) The net assets per share attributable to equity holders of the Company is computed based on the net assets as at 31 March 2018 and 31 December 2017 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: RM0.6144 at 31 March 2018 and : RM0.6230 at 31 December 2017 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 FIRST QUARTER ENDED 31 MARCH 2018

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

<b>3 months ended 31 March 2018</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 2018	146,161	76,090	(16,844)	8,237	92,278	404	306,326
Total comprehensive income for the period	-	-	-	-	964	-	964
At 31 March 2018	<u>146,161</u>	<u>76,090</u>	<u>(16,844)</u>	<u>8,237</u>	<u>93,242</u>	<u>404</u>	<u>307,290</u>

<b>3 months ended 31 March 2018</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 2018	89,801	46,750	(10,349)	5,061	56,696	248	188,207
Total comprehensive income for the period	-	-	-	-	592	-	592
At 31 March 2018	<u>89,801</u>	<u>46,750</u>	<u>(10,349)</u>	<u>5,061</u>	<u>57,288</u>	<u>248</u>	<u>188,799</u>

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: RM0.6144 at 31 March 2018 and : RM0.6410 at 31 March 2017 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 FIRST QUARTER ENDED 31 MARCH 2018

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

<b>3 months ended 31 March 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 loss for the period	-	-	-	-	(974)	-	(974)
At 31 March 2017	<u>146,161</u>	<u>76,090</u>	<u>(16,844)</u>	<u>8,237</u>	<u>69,195</u>	<u>404</u>	<u>283,243</u>

<b>3 months ended 31 March 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	93,690	48,774	(10,796)	5,280	44,979	259	182,186
Total comprehensive loss for the period	-	-	-	-	(625)	-	(625)
At 31 March 2017	<u>93,690</u>	<u>48,774</u>	<u>(10,796)</u>	<u>5,280</u>	<u>44,354</u>	<u>259</u>	<u>181,561</u>

The Company had submitted its Audited Financial Statements for the year ended 31 December 2017 on due date and had made announcement on 30 April 2018.

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: RM0.6144 at 31 March 2018 and : RM0.6410 at 31 March 2017 with comparatives is 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 FIRST QUARTER ENDED 31 MARCH 2018

#### Unaudited Condensed Consolidated Statements Of Cash Flow

	As at 31 March 2018 RMB'000	As at 31 March 2017 RMB'000	As at 31 March 2018 RM'000	As at 31 March 2017 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit/(loss) before income tax	964	(974)	592	(625)
Adjustments for:				
Depreciation	4,876	2,690	2,996	1,724
Amortisation	-	-	-	-
Property, plant and equipment written off	-	424	-	272
Interest expenses	1,906	1,703	1,171	1,092
Unrealised foreign exchange loss	-	613	-	393
Unrealised foreign exchange gain	(383)	-	(236)	-
<b>OPERATING GAIN BEFORE WORKING CAPITAL CHANGES</b>	7,363	4,456	4,523	2,856
In inventories	(3,044)	(5,796)	(1,871)	(3,715)
In trade and other receivables	12,628	6,164	7,758	3,951
In trade and other payables	(10,820)	19,751	(6,648)	12,660
<b>Cash from operations</b>	6,127	24,575	3,762	15,752
Interest paid	(1,906)	(1,703)	(1,171)	(1,092)
<b>Net cash generated from operating activities</b>	4,221	22,872	2,591	14,660
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Net cash used in investing activities</b>	-	-	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Drawdown from short-term loan	15,000	-	9,216	-
(Repayment) / advance from director	(3,302)	915	(2,029)	587
Repayment of loan	(10,182)	(29,200)	(6,256)	(18,717)
<b>Net cash generated from / (used in) financing activities</b>	1,516	(28,285)	931	(18,130)
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	5,737	(5,413)	3,522	(3,470)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>	401	10,121	249	6,488
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	6,138	4,708	3,771	3,018

The Company had submitted its Audited Financial Statements for the year ended 31 December 2017 on due date and had made announcement on 30 April 2018.

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: RM0.6144 at 31 March 2018 and : RM0.6410 at 31 March 2017 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 FIRST QUARTER ENDED 31 MARCH 2018

#### A. SELECTED EXPLANATORY NOTES TO THE UNAUDITED FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2018

##### 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 2017 and the accompanying explanatory notes attached to this unaudited financial report.

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

There are no changes in accounting policies for the quarter ended 31 March 2018.

###### 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 2017 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, UHY Lee Seng Chan & Co have issued a statement of “Material Uncertainty Related to Going Concern” (“Statement”) in respect of HB’s Financial Statements for 31 December 2017 (“FS 2017”).

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





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## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018

### “Material Uncertainty Related to Going Concern”

As at 31 December 2017, the Group’s and the Company’s current liabilities exceeded their current assets by RMB21,228,000 and RMB37,983,000 respectively. The Group’s current liabilities include bank loans of RMB80,600,000 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 the continuation of its remaining business comprising ready-to-serve food and frozen vegetables. These factors along with other matters as set forth in Note 1(b) to the financial statements, indicate the existence of a material uncertainty 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

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 9 November 2017 obtained approval from Bursa Securities for a further extension of time to submit its regularisation plan by 31 March 2018.

On 30 March 2018, 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 2 April 2018, 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 on 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, our external auditors, UHY Lee Seng Chan & Co in their professional judgement, were of most significance in their audit of the financial statements of FY2017. 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 2017.

### 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 other than the holiday effect on the operation for Chinese New Year festival.

### 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.



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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018

#### 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 31 March 2018</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	10,105	20,620	-	6,030	36,755
<b>Segment results</b>	1,979	6,568	-	981	9,528
Other income					1,065
Unallocated costs					(7,723)
Finance expenses					(1,906)
Profit before income tax					964
Income tax expense					-
<b>Profit for the period</b>					964
<b>Other segment information:</b>					
Depreciation and amortization					4,876
Capital expenditures					-



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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018

#### 8. Segment information (continue)

<b>Financial Period Ended 31 March 2018</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	6,209	12,669	-	3,704	22,582
<b>Segment results</b>	1,216	4,035	-	603	5,854
Other income					654
Unallocated costs					(4,745)
Finance expenses					(1,171)
Profit before income tax					592
Income tax expense					-
<b>Profit for the period</b>					592
<b>Other segment information:</b>					
Depreciation and amortisation					2,996
Capital expenditures					-

Note:

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<b>Financial Year Ended 31 March 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	11,362	11,278	-	6,271	28,911
<b>Segment results</b>	2,231	3,750	-	1,256	7,237
Other income					64
Unallocated costs					(6,572)
Finance expenses					(1,703)
Loss before income tax					(974)
Income tax expense					-
<b>Loss for the period</b>					(974)
<b>Other segment information:</b>					
Depreciation and amortisation					2,690
Capital expenditures					-



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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018

#### 8. Segment information (continue)

<b>Financial Year Ended 31 March 2017</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	7,283	7,229	-	4,020	18,532
<b>Segment results</b>	1,430	2,404	-	805	4,639
Other income					41
Unallocated costs					(4,214)
Finance expenses					(1,091)
Loss before income tax					(625)
Income tax expense					-
<b>Loss for the period</b>					<b>(625)</b>
<b>Other segment information:</b>					
Depreciation and amortisation					1,724
Capital expenditures					-

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: RM0.6410 at 31 March 2017 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 did not acquired any additional non-current assets during the quarter under review.



恒宝环球

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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	32,391
Construction of Feedstock plant	30,000	18,432
Power station, compressor and cabling	11,231	6,900

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	15	9	15	9
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 RMB7.8 million or approximately 27.1% from RMB28.9 million in financial period ended 31 March 2017 ("FPE2017") to RMB36.7 million in financial period ended 31 March 2018 ("FPE2018"). The increase was mainly due to increase in sales of Frozen Vegetables products.

Gross Profits ("GP") margin increased from 25.0% for FPE2017 to 25.9% for FPE2018. This was mainly attributable to the products mix sales achieved during the quarter.

Other operating income increased to RMB1.0 million in FPE2018 was mainly due to the increase in rental income of RMB0.5 million, other income of RMB0.1 million and unrealized foreign exchange gain.

Selling and distribution expenses slightly increased in FPE2018 as a result of more marketing effort for local and oversea markets for our products. General and administration expenses increased by RMB1.7 million in FPE2018 was mainly due to increase of approximately RMB2.1 million in depreciation offset by the decrease in other general and administration expenses. Other operating expenses decreased by RMB0.6 million in FPE2018 was mainly due to unrealized exchange losses in FPE2017. Net profit before taxation increase to RMB1.0 million in FPE2018 as compared to Net loss before taxation of RMB1.0 million in FPE2017 mainly due to the lower operating cost and better profit margin achieved during the period under review.

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

There were no additions to property, plant and equipment for the current quarter.

Inventories increased by RMB3.0 million was mainly attributable to the increase in demand of certain products in 2<sup>nd</sup> quarter of 2018. Trade and other receivables decreased by RMB12.6 million from RMB59.6 million in FYE2017 to RMB46.9 million in FPE2017 due to tight control of credit terms given to customers during the periods under review. Trade and other payables decreased from RMB39.5 million in FYE2017 to RMB28.6 million in FPE2018 was mainly due to increase payments made to suppliers.

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

Net cash generated from operating activities record a sharp decrease of RMB18.7 million from RMB22.9 million for FPE2017 to RMB4.2 million in FPE2018. The decrease was mainly due to the timing of payments made to suppliers in FPE2018.

Due to the suspension of investment plans in duck farming division, there is no investment during the current quarter. There was a repayment of loan of RMB10.2 million in FPE2018 mainly for the repayment of the short-term loan granted by the bank in FYE2017 but an additional short term loan of RMB15.0 million was granted and drawdown during the period under review.



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

	Current Quarter 31 Mar 2018		Preceding Quarter 31 Dec 2017	
	RMB'000	RM'000	RMB'000	RM'000
Revenue	36,755	22,582	70,650	44,015
Profit Before Taxation	964	592	19,471	12,131
Profit After Taxation	964	592	19,471	12,131

The Group recorded revenue of RMB36.8 million in the current quarter, reduced by approximately RMB33.9 million (48.0%) from RMB70.7 million in the immediate preceding quarter due to the Chinese New Year season effect and the lower demand for our products from overseas market where new contract term to be negotiated in April 2018.

The Profit before taxation and after taxation decreased is mainly due to lower revenue achieved of our products and reversal of impairment loss occurred in FY2017.

**3. Prospects for FYE 2018**

The Group had continued to show net profit for the current quarter FPE2018 and had shown improvement in its results 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 approximately 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.

**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 31 March 2018 were as follows:

	RMB'000	RM'000
Loans – unsecured*	13,769	10,016
Short-term Loan – unsecured	-	11,410
Short-term Loan – secured®	85,418	45,190

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 RMB85.5million 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.

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

The retained earnings as at 31 March 2018 and 31 December 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	92,859	57,052	92,585	57,680
- Unrealised	383	236	(307)	(191)
Total Group Retained Earnings	93,242	57,288	92,278	57,489





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**13. Earning per share**

*Basic Earning per Share*

	Quarter Ended <u>31 Mar 2018</u> RMB'000	Preceding Year Corresponding Quarter <u>31 Mar 2017</u> RMB'000	Quarter Ended <u>31 Mar 2018</u> RM'000	Preceding Year Corresponding Quarter <u>31 Mar 2017</u> RM'000	Year to Date Ended <u>31 Mar 2018</u> RMB'000	Year to Date Ended <u>31 Mar 2017</u> RMB'000	Year to Date Ended <u>31 Mar 2018</u> RM'000	Year to Date Ended <u>31 Mar 2017</u> RM'000
Profit/(loss) attributable to - equity holders of the company	964	(974)	592	(625)	964	(974)	592	(625)
- Non-controlling interest	-	-	-	-	-	-	-	-
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)	0.21	(0.21)	0.13	(0.13)	0.21	(0.21)	0.13	(0.13)

By Order of the Board

SHEN HENGBAO  
Chief Executive Officer