



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 2018

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 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
	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Revenue	38,928	28,223	23,715	17,857	75,684	57,134	46,107	36,149
Cost of sales	(27,533)	(18,202)	(16,773)	(11,516)	(54,760)	(39,876)	(33,360)	(25,229)
Gross profit	11,395	10,021	6,942	6,341	20,924	17,258	12,747	10,920
Other operating income	6	1,849	4	1,170	1,071	1,914	652	1,211
Selling and distribution expenses	(499)	(226)	(304)	(143)	(971)	(604)	(592)	(382)
General and administrative expenses	(7,016)	(6,861)	(4,275)	(4,341)	(14,123)	(12,296)	(8,603)	(7,780)
Other operating expenses	(293)	(56)	(178)	(36)	(438)	(817)	(267)	(517)
Operating profit	3,593	4,727	2,189	2,991	6,463	5,455	3,937	3,452
Finance costs	(1,517)	(1,565)	(924)	(990)	(3,423)	(3,268)	(2,085)	(2,068)
Profit before taxation	2,076	3,162	1,265	2,001	3,040	2,187	1,852	1,384
Taxation	-	-	-	-	-	-	-	-
Profit after taxation	2,076	3,162	1,265	2,001	3,040	2,187	1,852	1,384
Other comprehensive income for the period (net of tax)	-	-	-	-	-	-	-	-
Total comprehensive income after tax	2,076	3,162	1,265	2,001	3,040	2,187	1,852	1,384



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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 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Profit attributable to:-								
- Equity holders of HB	2,076	3,162	1,265	2,001	3,040	2,187	1,852	1,384
-Non-controlling interest	-	-	-	-	-	-	-	-
Total comprehensive income attributable to:-								
- Equity holders of HB	2,076	3,162	1,265	2,001	3,040	2,187	1,852	1,384
-Non-controlling interest	-	-	-	-	-	-	-	-
Earning Per Share *								
- Basic (RMB cents/ sen)	0.44	0.68	0.27	0.43	0.65	0.47	0.40	0.30
- 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: RM0.6092 at 30 June 2018 and : RM0.6327 at 30 June 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 SECOND QUARTER ENDED 30 JUNE 2018

Condensed Consolidated Statements of Financial Positions

	Unaudited As at 30 June 2018	Audited As at 31 Dec 2017	Unaudited As at 30 June 2018	Audited As at 31 Dec 2017
	RMB'000	RMB'000	RM'000	RM'000
Non-Current Assets				
Property, plant and equipment	230,463	240,395	140,398	149,766
Construction in progress	44,292	44,292	26,983	27,594
Land use right	59,232	59,232	36,084	36,902
	333,987	343,919	203,465	214,262
Current Assets				
Inventories	16,781	7,752	10,223	4,829
Trade and other receivables	60,034	59,565	36,573	37,109
Prepayment for land use right	60,858	60,858	37,075	37,915
Cash and bank balance	3,083	401	1,878	249
	140,756	128,576	85,749	80,102
TOTAL ASSETS	474,743	472,495	289,214	294,364
Capital and Reserves				
Share capital	146,161	146,161	89,041	91,058
Reserves	67,483	67,483	41,111	42,042
Retained earnings	95,318	92,278	58,068	57,489
Non-controlling interest	404	404	246	252
Total Equity	309,366	306,326	188,466	190,841
Non-Current Liabilities				
Borrowings	16,365	16,365	9,970	10,195
	16,365	16,365	9,970	10,195
Current Liabilities				
Trade payables and other payables	35,079	39,488	21,370	24,601
Income tax liabilities	-	-	-	-
Amount due to shareholder	2,839	2,839	1,730	1,769
Amount due to director	26,176	26,877	15,946	16,744
Short-term loan	84,918	80,600	51,732	50,214
	149,012	149,804	90,778	93,328
Total Liabilities	165,377	166,169	100,748	103,523
TOTAL EQUITY AND LIABILITIES	474,743	472,495	289,214	294,364
Net asset per share attributable to equity holders of the Company (RMB / RM) ⁽¹⁾	0.66	0.65	0.40	0.41

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 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:RM1: RM0.6092 at 30 June 2018 and 1: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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Unaudited Condensed Consolidated Statements Of Changes In Equity

6 months ended 30 June 2018	Share capital	Statutory reserves	Capital reserves	Equity contribution reserves	Retained earnings	Non-controlling interest	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	146,161	76,090	(16,844)	8,237	92,278	404	306,326
Total comprehensive income for the period	-	-	-	-	3,040	-	3,040
At 30 June 2018	<u>146,161</u>	<u>76,090</u>	<u>(16,844)</u>	<u>8,237</u>	<u>95,318</u>	<u>404</u>	<u>309,366</u>

6 months ended 30 June 2018	Share capital	Statutory reserves	Capital reserves	Equity contribution reserves	Retained earnings	Minority interest	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2018	89,041	46,354	(10,261)	5,018	56,216	246	186,614
Total comprehensive income for the period	-	-	-	-	1,852	-	1,852
At 30 June 2018	<u>89,041</u>	<u>46,354</u>	<u>(10,261)</u>	<u>5,018</u>	<u>58,068</u>	<u>246</u>	<u>188,466</u>

Note:

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR
THE SECOND QUARTER ENDED 30 JUNE 2018

Unaudited Condensed Consolidated Statements Of Changes In Equity (continue)

6 months ended 30 June 2017	Share capital	Statutory reserves	Capital reserves	Equity contribution reserves	Retained earnings	Non-controlling interest	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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>

6 months ended 30 June 2017	Share capital	Statutory reserves	Capital reserves	Equity contribution reserves	Retained earnings	Non-controlling interest	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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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Unaudited Condensed Consolidated Statements Of Cash Flow

	As at 30 June 2018	As at 31 December 2017	As at 30 June 2018	As at 31 December 2017
	RMB'000	RMB'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before income tax	3,040	22,109	1,852	13,774
Adjustments for:				
Depreciation	9,932	17,154	6,050	10,687
Amortisation of land use rights	-	1,443	-	899
Impairment loss on property, plant and equipment, land use rights and advance payments of land use rights	-	4,573	-	2,849
Impairment loss on property, plant and equipment written back	-	(6,743)	-	(4,201)
Impairment loss on land use rights written back	-	(564)	-	(351)
Impairment loss on advance payments of land use rights written back	-	(166)	-	(103)
Reversal of inventory written down	-	(808)	-	(503)
Gain on disposal of land use rights	-	(1,241)	-	(773)
Gain on disposal of property, plant and equipment	-	(326)	-	(203)
Property, plant and equipment written off	-	372	-	232
Unrealised foreign exchange (gain) / loss	(73)	307	(44)	191
Interest income	-	(68)	-	(42)
Interest expense	3,423	6,929	2,085	4,317
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	16,322	42,971	9,943	26,773
In inventories	(9,029)	(2,529)	(5,500)	(1,576)
In trade and other receivables	(469)	(39,200)	(286)	(24,422)
In trade and other payables	(4,409)	23,496	(2,686)	14,638
Cash from operations	2,415	24,738	1,471	15,413
Interest paid	(3,423)	(6,190)	(2,085)	(3,856)
Interest received	-	68	-	42
Net cash used in operating activities	(1,008)	18,616	(614)	11,599
CASH FLOWS FROM INVESTING ACTIVITIES				
Addition of property, plant and equipment	-	(2,903)	-	(1,809)
Proceeds from disposal of property, plant and equipment	-	4,643	-	2,893
Proceeds from disposal of land use rights	-	5,708	-	3,556
Net cash generated from investing activities	-	7,448	-	4,640
CASH FLOWS FROM FINANCING ACTIVITIES				
(Repayment of) / proceeds from borrowings from directors	(628)	1,116	(382)	695
Proceeds from / (repayment of) loans	4,318	(26,900)	2,631	(16,759)
Net cash generated from / (used in) financing activities	3,690	(25,784)	2,249	(16,064)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,682	280	1,635	175
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	401	121	243	75
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	3,083	401	1,878	250

Note:

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2018

A. SELECTED EXPLANATORY NOTES TO THE UNAUDITED FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 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 30 June 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 UHY Lee Seng Chan & Co have issued a statement in respect of HB’s Financial Statements for 31 December 2017 (“FS 2017”) to draw an attention to the board and shareholders as regard to the material uncertainty related to going concern and key audit matters as follow:

Material Uncertainty Related to Going Concern and Key Audit Matters

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



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“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.

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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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

Financial Year Ended 30 June 2018					
	<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	24,227	37,178	-	14,279	75,684
Segment results	4,885	13,294	-	2,745	20,924
Other income					1,071
Unallocated costs					(15,532)
Finance expenses					(3,423)
Profit before income tax					3,040
Income tax expense					-
Profit for the period					3,040
Other segment information:					
Depreciation and amortisation					9,932
Capital expenditures					-

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8. Segment information (continue)

Financial Period Ended 30 June 2018					
	<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	14,759	22,649	-	8,699	46,107
Segment results	2,976	8,099	-	1,672	12,747
Other income					652
Unallocated costs					(9,462)
Finance expenses					(2,085)
Profit before income tax					1,852
Income tax expense					-
Profit for the period					1,852
Other segment information:					
Depreciation and amortisation					6,050
Capital expenditures					-

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Financial Year Ended 30 June 2017					
	<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	22,630	22,201	-	12,303	57,134
Segment results	5,617	9,134	-	2,507	17,258
Other income					1,914
Unallocated costs					(13,717)
Finance expenses					(3,268)
Loss before income tax					2,187
Income tax expense					-
Loss for the period					2,187
Other segment information:					
Depreciation and amortisation					6,673
Capital expenditures					-



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8. Segment information (continue)

<u>Financial Year 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
Segment results	3,554	5,779	-	1,587	10,920
Other income					1,211
Unallocated costs					(8,679)
Finance expenses					(2,068)
Loss before income tax					1,384
Income tax expense					-
Loss for the period					1,384
Other segment information:					
Depreciation and amortisation					4,223
Capital expenditures					-

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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. 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.

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.



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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	32,117
Construction of Feedstock plant	30,000	18,276
Power station, compressor and cabling	11,231	6,842

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	73	44	146	89
Post employment benefits	-	-	-	-

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR
THE SECOND QUARTER ENDED 30 JUNE 2018

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 by RMB10.7 million or approximately 37.9% from RMB28.2 million in financial period ended 30 June 2017 ("FPE2017") to RMB38.9 million in financial period ended 30 June 2018 ("FPE2018"). The increase was mainly due to the increase in sales of our Frozen Vegetable products.

Gross Profit ("GP") margin decreased slightly from 30.2% for FPE2017 to 27.6% for FPE2018. This was mainly attributable to the depreciation of Chinese Yen Renminbi. Other operating income decreased by RMB0.8 million in FPE2018 was mainly due to the decrease in rental income from the duck farming facilities.

Selling and distribution expenses had shown slight increase when compared against FPE2017 mainly due to the increase in transportation charges as a result of higher revenue. General and administration expenses increased by RMB1.8 million in FPE2018 was mainly due to increase in depreciation in duck segment facilities. Other operating expense decreased by RMB0.4 million was mainly due decrease in unrealised exchange loss. The Group showed net profit before taxation of RMB3.0 million in FPE2018 as compared to RMB2.2 million in FPE2017 was mainly due to the higher revenue achieved for this period.

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 RMB7.8 million in FYE2017 to RMB16.8 million in FPE2018 was mainly due to increase in orders placed by customers for delivery in next quarter. Trade and other receivables increased slightly by RMB0.5 million from RMB59.5 million in FYE2017 to RMB60.0 million in FPE2018 mainly due to higher revenue achieved. Trade payables decreased from RMB39.5 million in FYE2017 to RMB35.1 million in FPE2018 mainly due to timing of payments made to suppliers.

The increase in short term borrowing of RMB4.3 million was mainly for working capital purposes.

Review of Cash Flow Statement

Net cash used in operating activities was approximately RMB1.0 million was mainly due to the increase of inventories level to fulfil the demand of our products.

There are no investing activities during the period under review. Net cash of RMB3.7 million generated in financing activities was mainly due to the drawdown of short term bank borrowing to finance working capital requirement.



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2. Variation of results against immediate preceding quarter

	Current Quarter 30 June 2018		Preceding Quarter 31 Mar 2018	
	RMB'000	RM'000	RMB'000	RM'000
Revenue	38,928	23,715	36,755	22,582
Profit Before Taxation	2,076	1,265	964	592
Profit After Taxation	2,076	1,265	964	592

The Group recorded revenue of RMB38.9 million in the current quarter, which is a slight increase by RMB2.1 million or 5.7% from RMB36.8 million in the immediate preceding quarter due to continued demand for our Frozen Vegetable products in current quarter.

The Group achieved higher profit before taxation and profit after taxation as compared to preceding quarter was mainly due to the better cost control of our products in current quarter.

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 and any impact from the ongoing trade war between USA and China 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 (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.



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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 utilisation 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 2018 were as follows:

	RMB'000	RM'000
Loans – unsecured*	16,365	9,970
Short-term Loan – unsecured	-	-
Short-term Loan – secured [®]	84,918	51,732

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.



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12. Realised and Unrealised Profit/Losses Disclosure

The retained earnings as at 30 June 2018 and 31 March 2018 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	95,391	45,824	92,859	57,052
- Unrealised	(73)	(44)	383	236
Total Group Retained Earnings	95,318	45,780	93,242	57,288



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13. Earning per share

Basic Earning per Share

	Quarter Ended <u>30 Jun 2018</u> RMB'000	Preceding Year Corresponding Quarter <u>30 Jun 2017</u> RMB'000	Quarter Ended <u>30 Jun 2018</u> RM'000	Preceding Year Corresponding Quarter <u>30 Jun 2017</u> RM'000	Year to Date Ended <u>30 Jun 2018</u> RMB'000	Year to Date Ended <u>30 Jun 2017</u> RMB'000	Year to Date Ended <u>30 Jun 2018</u> RM'000	Year to Date Ended <u>30 Jun 2017</u> RM'000
Profit attributable to - equity holders of the company	2,076	3,162	1,265	2,001	3,040	2,187	1,852	1,384
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)	0.44	0.68	0.27	0.43	0.65	0.47	0.40	0.30

By Order of the Board

SHEN HENGBAO
Chief Executive Officer