



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 THIRD QUARTER ENDED 30 SEPTEMBER 2018

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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 September 2018	30 September 2017	30 September 2018	30 September 2017	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Revenue	41,446	39,922	24,959	25,309	117,129	97,056	70,535	61,530
Cost of sales	(31,156)	(28,513)	(18,762)	(18,076)	(85,916)	(68,389)	(51,739)	(43,356)
Gross profit	10,290	11,409	6,197	7,233	31,213	28,667	18,796	18,174
Other operating income	100	(311)	60	(197)	1,171	1,603	705	1,016
Selling and distribution expenses	(612)	(306)	(369)	(194)	(1,583)	(909)	(953)	(577)
General and administrative expenses	(7,039)	(7,403)	(4,239)	(4,693)	(21,162)	(19,699)	(12,744)	(12,488)
Other operating expenses	(731)	(1,101)	(440)	(698)	(1,169)	(1,918)	(704)	(1,216)
Operating profit	2,008	2,288	1,209	1,451	8,470	7,744	5,100	4,909
Finance costs	(1,495)	(1,476)	(900)	(936)	(4,918)	(4,743)	(2,962)	(3,007)
Profit before taxation	513	812	309	515	3,552	3,001	2,138	1,902
Taxation	-	-	-	-	-	-	-	-
Profit after taxation	513	812	309	515	3,552	3,001	2,138	1,902
Other comprehensive income for the period (net of tax)	-	-	-	-	-	-	-	-
Total comprehensive income after tax	513	812	309	515	3,552	3,001	2,138	1,902



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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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
	<u>30 September</u>	<u>30 September</u>	<u>30 September</u>	<u>30 September</u>	<u>30 September</u>	<u>30 September</u>	<u>30 September</u>	<u>30 September</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Profit attributable to:-								
- Equity holders of HB	513	812	309	515	3,552	3,001	2,138	1,902
-Non-controlling interest	-	-	-	-	-	-	-	-
Total comprehensive income attributable to:-								
- Equity holders of HB	513	812	309	515	3,552	3,001	2,138	1,902
-Non-controlling interest	-	-	-	-	-	-	-	-
Earning Per Share *								
- Basic (RMB cents/ sen)	0.11	0.17	0.07	0.11	0.76	0.64	0.46	0.41
- 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: RM0.6022 at 30 September 2018 and RMB1 : RM0.6340 at 30 September 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 THIRD QUARTER ENDED 30 SEPTEMBER 2018

#### Condensed Consolidated Statements of Financial Positions

	Unaudited As at 30 Sep 2018	Audited As at 31 Dec 2017	Unaudited As at 30 Sep 2018	Audited As at 31 Dec 2017
	RMB'000	RMB'000	RM'000	RM'000
<b>Non-Current Assets</b>				
Property, plant and equipment	225,442	240,395	135,761	149,766
Construction in progress	45,229	44,292	27,237	27,594
Land use right	59,232	59,232	35,670	36,902
	329,903	343,919	198,668	214,262
<b>Current Assets</b>				
Inventories	13,572	7,752	8,173	4,829
Trade and other receivables	74,233	59,565	44,703	37,109
Prepayment for land use right	59,725	60,858	35,966	37,915
Cash and bank balance	177	401	107	249
	147,707	128,576	88,949	80,102
<b>TOTAL ASSETS</b>	477,610	472,495	287,617	294,364
<b>Capital and Reserves</b>				
Share capital	146,161	146,161	88,018	91,058
Reserve	67,483	67,483	40,638	42,042
Non-controlling interest	404	404	243	252
Retained profit	95,830	92,278	57,708	57,489
<b>Total Equity</b>	309,878	306,326	186,607	190,841
<b>Non-Current Liabilities</b>				
Borrowings	20,400	16,365	12,285	10,195
	20,400	16,365	12,285	10,195
<b>Current Liabilities</b>				
Trade and other payables	32,110	39,488	19,338	24,601
Income tax liabilities	-	-	-	-
Amount due to shareholder	2,839	2,839	1,710	1,769
Amount due to director	26,865	26,877	16,178	16,744
Short-term loan	85,518	80,600	51,499	50,214
	147,332	149,804	88,725	93,328
<b>Total Liabilities</b>	167,732	166,169	101,010	103,523
<b>TOTAL EQUITY AND LIABILITIES</b>	477,610	472,495	287,617	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

Note:

- (1) The net assets per share attributable to equity holders of the Company is computed based on the net assets as at 30 September 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: RM0.6022 at 30 September 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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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

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

<b>9 months ended 30 September 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	-	-	-	-	3,552	-	3,552
At 30 September 2018	<u>146,161</u>	<u>76,090</u>	<u>(16,844)</u>	<u>8,237</u>	<u>95,830</u>	<u>404</u>	<u>309,878</u>

<b>9 months ended 30 September 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	88,018	45,821	(10,143)	4,960	55,570	243	184,469
Total comprehensive income for the period	-	-	-	-	2,138	-	2,138
At 30 September 2018	<u>88,018</u>	<u>45,821</u>	<u>(10,143)</u>	<u>4,960</u>	<u>57,708</u>	<u>243</u>	<u>186,607</u>

Note:

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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

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

<b>9 months ended 30 September 2017</b>	<b>Share capital</b>	<b>Statutory reserves</b>	<b>Capital reserves</b>	<b>Equity contribution reserves</b>	<b>Retained earnings</b>	<b>Non-controlling interest</b>	<b>Total equity</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
At 1 January 2017	146,161	76,090	(16,844)	8,237	70,169	404	284,217
Total comprehensive income for the period	-	-	-	-	3,001	-	3,001
At 30 September 2017	<u>146,161</u>	<u>76,090</u>	<u>(16,844)</u>	<u>8,237</u>	<u>73,170</u>	<u>404</u>	<u>287,218</u>

<b>9 months ended 30 September 2017</b>	<b>Share capital</b>	<b>Statutory reserves</b>	<b>Capital reserves</b>	<b>Equity contribution reserves</b>	<b>Retained earnings</b>	<b>Minority interest</b>	<b>Total equity</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January 2017	92,660	48,238	(10,678)	5,222	44,486	256	180,184
Total comprehensive income for the period	-	-	-	-	1,902	-	1,902
At 30 September 2017	<u>92,660</u>	<u>48,238</u>	<u>(10,678)</u>	<u>5,222</u>	<u>46,388</u>	<u>256</u>	<u>182,086</u>

Note:

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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

#### Unaudited Condensed Consolidated Statements Of Cash Flow

	As at 30 September 2018 RMB'000	As at 30 September 2017 RMB'000	As at 30 September 2018 RM'000	As at 30 September 2017 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before income tax	3,552	3,001	2,138	1,902
Adjustments for:				
Depreciation	14,953	10,291	9,005	6,524
Amortisation of land use rights	-	1,340	-	850
Property, plant and equipment written off	-	424	-	269
Loss on disposal of property, plant and equipment and land use rights	-	964	-	611
Unrealised foreign exchange loss	703	454	425	288
Interest expense	4,918	4,743	2,961	3,007
<b>OPERATING PROFIT/(LOSS)</b>	<b>24,126</b>	<b>21,217</b>	<b>14,529</b>	<b>13,451</b>
<b>BEFORE WORKING CAPITAL CHANGES</b>				
In inventories	(5,820)	(20,575)	(3,505)	(13,044)
In trade and other receivables	(13,536)	(11,751)	(8,151)	(7,449)
In trade and other payables	(4,046)	26,614	(2,436)	16,872
<b>Cash from operations</b>	<b>724</b>	<b>15,505</b>	<b>437</b>	<b>9,830</b>
Interest received	-	-	-	-
<b>Net cash generated from operating activities</b>	<b>724</b>	<b>15,505</b>	<b>437</b>	<b>9,830</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceed received from disposal of property, plant and equipment and land use rights	-	10,000	-	6,340
Payment of construction in progress	(936)	-	(564)	-
<b>Net cash generated from/(used in) investing activities</b>	<b>(936)</b>	<b>10,000</b>	<b>(564)</b>	<b>6,340</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Advance / (repayment) from director	(12)	1,271	(7)	806
Interest expense	(4,918)	(4,743)	(2,961)	(3,007)
Drawdown from short-term loan	42,000	-	25,292	-
Repayment of short-term loan	(37,082)	(29,700)	(22,331)	(18,829)
<b>Net cash (used in)/generated from financing activities</b>	<b>(12)</b>	<b>(33,172)</b>	<b>(7)</b>	<b>(21,030)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(224)</b>	<b>(7,667)</b>	<b>(134)</b>	<b>(4,860)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>	<b>401</b>	<b>10,121</b>	<b>241</b>	<b>6,416</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	<b>177</b>	<b>2,454</b>	<b>107</b>	<b>1,556</b>

Note:

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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

#### A. SELECTED EXPLANATORY NOTES TO THE UNAUDITED FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 September 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 September 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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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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.

#### 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**

	<b>Financial Period Ended 30 September 2018</b>				
	<b><u>Ready-to-serve Food</u></b>	<b><u>Frozen Vegetables</u></b>	<b><u>Duck Farming</u></b>	<b><u>Others</u></b>	<b><u>Total</u></b>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	36,558	58,747	-	21,824	117,129
<b>Segment results</b>	7,995	19,646	-	3,572	31,213
Other income					1,171
Unallocated costs					(23,914)
Finance expenses					(4,918)
Profit before income tax					3,552
Income tax expense					-
<b>Profit for the period</b>					<b>3,552</b>
<b>Other segment information:</b>					
Depreciation and amortisation					14,953
Capital expenditures					-

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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

#### 8. Segment information (continue)

	<b>Financial Period Ended 30 September 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	22,015	35,377	-	13,143	70,535
<b>Segment results</b>	4,814	11,831	-	2,151	18,796
Other income					705
Unallocated costs					(14,401)
Finance expenses					(2,962)
Profit before income tax					2,138
Income tax expense					-
<b>Profit for the period</b>					<b>2,138</b>
<b>Other segment information:</b>					
Depreciation and amortisation					9,005
Capital expenditures					-

Note:

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	<b>Financial Period Ended 30 September 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	35,067	42,283	-	19,706	97,056
<b>Segment results</b>	8,948	15,476	-	4,243	28,667
Other income					1,603
Unallocated costs					(22,526)
Finance expenses					(4,743)
Profit before income tax					3,001
Income tax expense					-
<b>Profit for the period</b>					<b>3,001</b>
<b>Other segment information:</b>					
Depreciation and amortisation					11,631
Capital expenditures					-



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### QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

#### 8. Segment information (continue)

	<u>Financial Period Ended 30 September 2017</u>				<u>Total</u> RM'000
	<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	
Revenue	22,231	26,806	-	12,493	61,530
<b>Segment results</b>	5,673	9,811	-	2,690	18,174
Other income					1,016
Unallocated costs					(14,281)
Finance expenses					(3,007)
Profit before income tax					1,902
Income tax expense					-
<b>Profit for the period</b>					<b>1,902</b>
<b>Other segment information:</b>					
Depreciation and amortisation					7,374
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: RM0.6022 at 30 September 2018 and : RM0.6340 at 30 September 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 had made an advance payment of RMB0.9 million for investment in non-current assets during FPE2018.

#### 13. Listing Requirement

The external auditors had performed a limited review on the interim condensed financial statements of the Group as at 30 September 2018 pursuant to a directive issued by Bursa Malaysia Securities Berhad on 19 September 2018.



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#### 14. Capital commitment

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

	RMB'000	RM'000
Construction of meat duck farms	52,720	31,748
Construction of Feedstock plant	30,000	18,066
RTS production plant	551	332

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

#### 15. Significant related party transactions

Key management personnel compensation is analysed as follows:

	Individual Quarter		Cumulative Quarter	
	RMB'000	RM'000	RMB'000	RM'000
Salaries and other short-term employee benefits	73	44	219	133
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 RMB20.0 million or approximately 20.7% from RMB97.1 million in financial period ended 30 September 2017 (“FPE2017”) to RMB117.1 million in financial period ended 30 September 2018 (“FPE2018”). The increased was mainly due to increase in sales of Frozen Vegetables products.

Gross Profit (“GP”) margin decreased from GP 29.5% for FPE2017 to GP 26.6% for FPE2018. This was mainly attributable to the depreciation of currency of Chinese Renminbi. Our products, Frozen Vegetable had shown decreased in GP margin of 3.4% in FPE2018, Ready-To-Serve products had shown decreased of 3.6% GP margin and others products had an average of 5.1% GP margin as compared to FPE2017. Other operating income decreased by RMB0.4 million to RMB1.2 million in FPE2018 was mainly attributable to the reduction of rental income from duck farming facilities.

Selling and distribution expenses increased by RMB0.7 million to RMB1.6 million in FPE2018 was mainly due to the increase in transportation cost of RMB0.5 million and exhibition related costs of RMB0.1 million. General and administration expenses increased by RMB1.5 million in FPE2018 was mainly due to increase in depreciation charges and amortisation of land use right of approximately RMB3.3 million but offset by the cost control in other areas. The Group achieved a net profit before taxation of RMB3.6 million in FPE2018 which shown an improvement in term of value as compared to FPE2017, these had demonstrated the management commitment towards improving the financial health of the Company.

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

The Group did not carry out any investment activities since FPE2018.

The Group’s policy is to keep the inventories level which are sufficient to fulfill demand of orders placed by customers. In FPE2018 the inventories were kept at RMB13.6 million as compared to FPE2017 at RMB7.8 million. The increase in inventories level was mainly due to the increase demand of our products in the coming month and required stock up of raw material for production purposes. Trade receivable increased by RMB14.7 million from RMB59.6 million in FPE2017 to RMB74.2 million in FPE2018 due to improved local demand of our products during the quarter under review as compared to preceding year corresponding quarter and the requirement of customers to extend their credit period. Trade payables decreased by RMB7.3 million from RMB39.5 million in FPE2017 to RMB32.1 million in FPE2018 was mainly due to the tight credit control by suppliers.

The net increase in short term borrowing of RMB4.9 million was mainly for working capital purposes as our short term loan are all renewable and rolled over upon expiry.

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

Net cash used in operating activities after working capital increased by RMB14.8 million and this increase was mainly due to the extended credit term given to customers and repayment to supplier during the period under review.

Net cash used in investing activities of RMB0.9 million in FPE2018 was mainly due to the advance payment for new plant and equipment during the period. There were no new financing activities carried out during this period under review as all expired short term loan was roll over or renewed.



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

	Current Quarter 30 September 2018		Preceding Quarter 30 June 2018	
	RMB'000	RM'000	RMB'000	RM'000
Revenue	41,446	24,959	38,928	23,715
Profit before taxation	513	309	2,076	1,265
Profit after taxation	513	309	2,076	1,265

The Group recorded revenue of RMB41.4 million in the current quarter, increased by approximately RMB2.5 million or 6.4% from RMB38.9 million in the immediate preceding quarter due to the higher demand for our products from local market and export market.

The profit before taxation and after taxation decreased in the current quarter is mainly due to decrease in Gross Profit margin of which was affected by the currency fluctuation in current quarter.

**3. Prospects for FYE 2018**

The Group had continued to show net profit for the current quarter FPE2018. The Group is 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. The Group is now focused on its core business in food processing segment and frozen vegetables and continue in putting efforts in rebuilding the business surrounding profitable segments, despite the current challenging economy. The Group aims to add more automation production line so as to be more cost effective.

**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 utilization of proceeds

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

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

The Group's borrowings and debt securities as of 30 September 2018 were as follows:

	RMB'000	RM'000
Loans – unsecured*	20,400	12,285
Short-term Loan – unsecured	-	-
Short-term Loan – secured <sup>@</sup>	85,518	51,499

##### 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 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 September 2018 and 30 June 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	96,533	58,131	95,391	45,824
- Unrealised	(703)	(423)	(73)	(44)
Total Group Retained Earnings	95,830	57,708	95,318	45,780

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**13. Earning per share**

*Basic Earning per Share*

	Quarter Ended <u>30 Sep 2018</u>	Preceding Year Corresponding Quarter <u>30 Sep 2017</u>	Quarter Ended <u>30 Sep 2018</u>	Preceding Year Corresponding Quarter <u>30 Sep 2017</u>	Year to Date Ended <u>30 Sep 2018</u>	Year to Date Ended <u>30 Sep 2017</u>	Year to Date Ended <u>30 Sep 2018</u>	Year to Date Ended <u>30 Sep 2017</u>
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Gain/(loss) attributable to - equity holders of the company	513	812	309	515	3,552	3,001	2,138	1,902
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)	0.11	0.17	0.07	0.11	0.76	0.64	0.46	0.41

By Order of the Board

SHEN HENGBAO  
Chief Executive Officer