



恒宝环球

HB Global Limited

(Company Registration No.: 200608505W)

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR
THE FOURTH QUARTER ENDED 31 DECEMBER 2018

Contents

Unaudited Condensed Consolidated Statements Of Comprehensive Income

Condensed Consolidated Statements Of Financial Position

Unaudited Condensed Consolidated Statements Of Changes in Equity

Unaudited Condensed Consolidated Statements Of Cash Flow

Notes to the Interim Financial Report

Additional information



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Revenue	46,697	70,650	28,182	44,015	163,826	167,706	98,869	104,481
Cost of sales	(33,226)	(46,201)	(20,052)	(28,783)	(119,142)	(114,948)	(71,902)	(71,613)
Gross profit	13,471	24,449	8,130	15,232	44,684	52,758	26,967	32,868
Other operating income	23,639	11,975	14,266	7,460	24,810	11,865	14,973	7,392
Selling and distribution expenses	(816)	(848)	(492)	(528)	(2,399)	(1,758)	(1,448)	(1,095)
General and administrative expenses	(5,062)	(8,869)	(3,055)	(5,525)	(26,224)	(28,882)	(15,826)	(17,993)
Other operating expenses	(14,279)	(5,119)	(8,617)	(3,189)	(15,448)	(4,945)	(9,323)	(3,081)
Operating profit	16,953	21,588	10,232	13,450	25,423	29,038	15,343	18,091
Finance costs	(2,172)	(2,117)	(1,311)	(1,319)	(7,090)	(6,929)	(4,279)	(4,317)
Profit before taxation	14,781	19,471	8,921	12,131	18,333	22,109	11,064	13,774
Taxation	-	-	-	-	-	-	-	-
Profit after taxation	14,781	19,471	8,921	12,131	18,333	22,109	11,064	13,774
Other comprehensive income for the period (net of tax)	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) after tax	14,781	19,471	8,921	12,131	18,333	22,109	11,064	13,774



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	<u>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	14,781	19,471	8,921	12,131	18,333	22,109	11,064	13,774
-Non-controlling interest								
Total comprehensive income attributable to:-								
- Equity holders of HB	14,781	19,471	8,921	12,131	18,333	22,109	11,064	13,774
-Non-controlling interest								
Earning Per Share *								
- Basic (RMB cents/ sen)	3.16	4.16	1.91	2.59	3.92	4.72	2.36	2.94
- 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: RM0.6035 at 31 December 2018 and RMB1 : 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 FOURTH QUARTER ENDED 31 DECEMBER 2018

Condensed Consolidated Statements of Financial Positions

	Unaudited As at 31 Dec 2018	Audited As at 31 Dec 2017	Unaudited As at 31 Dec 2018	Audited As at 31 Dec 2017
	RMB'000	RMB'000	RM'000	RM'000
Non-Current Assets				
Property, plant and equipment	231,302	240,395	139,591	149,766
Construction in progress	42,280	44,292	25,516	27,594
Land use right	64,012	59,232	38,631	36,902
	337,594	343,919	203,738	214,262
Current Assets				
Inventories	15,309	7,752	9,239	4,829
Trade and other receivables	67,169	59,565	40,536	37,109
Prepayment for land use right	66,792	60,858	40,309	37,915
Cash and bank balance	108	401	65	249
	149,378	128,576	90,149	80,102
TOTAL ASSETS	486,972	472,495	293,887	294,364
Capital and Reserves				
Share capital	146,161	146,161	88,208	91,058
Reserve	67,483	67,483	40,726	42,042
Non-controlling interest	404	404	244	252
Retained profit	110,611	92,278	66,754	57,489
Total Equity	324,659	306,326	195,932	190,841
Non-Current Liabilities				
Borrowings	20,408	16,365	12,316	10,195
	20,408	16,365	12,316	10,195
Current Liabilities				
Trade and other payables	30,565	39,488	18,446	24,601
Income tax liabilities	-	-	-	-
Amount due to ex-shareholders	6,317	2,839	3,812	1,769
Amount due to directors	21,843	26,877	13,182	16,744
Short-term loan	83,180	80,600	50,199	50,214
	141,905	149,804	85,639	93,328
Total Liabilities	162,313	166,169	97,955	103,523
TOTAL EQUITY AND LIABILITIES	486,972	472,495	293,887	294,364
Net asset per share attributable to equity holders of the Company (RMB / RM) ⁽¹⁾	0.69	0.65	0.42	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 31 December 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: RM0.6035 at 31 December 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 FOURTH QUARTER ENDED 31 DECEMBER 2018

Unaudited Condensed Consolidated Statements Of Changes In Equity

12 months ended 31 December 2018	Share capital	Capital Reserves	Statutory 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	(16,844)	76,090	8,237	92,278	404	306,326
Total comprehensive income for the period	-	-	-	-	18,333	-	18,333
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-
At 31 December 2018	<u>146,161</u>	<u>(16,844)</u>	<u>76,090</u>	<u>8,237</u>	<u>110,611</u>	<u>404</u>	<u>324,659</u>

12 months ended 31 December 2018	Share capital	Capital Reserves	Statutory Reserves	Fair value adjustments 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 2018	88,208	(10,165)	45,920	4,971	55,690	244	184,868
Total comprehensive income for the period	-	-	-	-	11,064	-	11,064
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-
At 31 December 2018	<u>88,208</u>	<u>(10,165)</u>	<u>45,920</u>	<u>4,971</u>	<u>66,754</u>	<u>244</u>	<u>195,932</u>

Note:

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

Unaudited Condensed Consolidated Statements Of Changes In Equity (continue)

12 months ended 31 December 2017	Share capital	Capital Reserves	Statutory reserves	Fair value adjustment s 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	(16,844)	76,090	8,237	70,169	404	284,217
Total comprehensive income for the period	-	-	-	-	22,109	-	22,109
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-
At 31 December 2017	<u>146,161</u>	<u>(16,844)</u>	<u>76,090</u>	<u>8,237</u>	<u>92,278</u>	<u>404</u>	<u>306,326</u>

12 months ended 31 December 2017	Share capital	Capital Reserves	Statutory reserves	Fair value adjustment s 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	91,058	(10,494)	47,404	5,132	43,715	252	177,067
Total comprehensive income for the period	-	-	-	-	13,774	-	13,774
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-
At 31 December 2017	<u>91,058</u>	<u>(10,494)</u>	<u>47,404</u>	<u>5,132</u>	<u>57,489</u>	<u>252</u>	<u>190,841</u>

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

Unaudited Condensed Consolidated Statements Of Cash Flow

	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
	RMB'000	RMB'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before income tax	18,333	22,109	11,064	13,774
Adjustments for:				
Depreciation of property, plant and equipment	17,597	17,154	10,620	10,687
Amortisation of land use rights	1,354	1,443	817	899
Impairment loss on advance payments of land use rights	-	261	-	163
Impairment loss on property, plant and equipment	4,415	4,032	2,664	2,512
Impairment loss on land use rights	-	280	-	174
Impairment loss on property, plant and equipment written back	(8,899)	(6,743)	(5,371)	(4,201)
Impairment loss on land use rights written back	(6,130)	(564)	(3,699)	(351)
Impairment loss on advance payments of land use rights written back	(6,913)	(166)	(4,172)	(103)
Impairment loss on trade receivables	10,274	-	6,200	-
Reversal of inventory written off	(319)	(808)	(193)	(503)
Property, plant and equipment and biological assets written off	-	372	-	232
Gain on disposal of property, plant and equipment	-	(326)	-	(203)
Gain on disposal of land use rights	-	(1,241)	-	(773)
Interest income	-	(68)	-	(42)
Interest expense	7,090	6,929	4,279	4,317
Unrealised foreign exchange loss/(gain)	753	307	455	191
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	37,555	42,971	22,664	26,773
In inventories	(7,238)	(2,529)	(4,368)	(1,576)
In trade and other receivables	(16,899)	(39,200)	(10,199)	(24,422)
In trade and other payables	(8,997)	23,496	(5,430)	14,638
Cash from operations	4,421	24,738	2,667	15,413
Interest received	-	68	-	42
Net cash generated from operating activities	4,421	24,806	2,667	15,455
CASH FLOWS FROM INVESTING ACTIVITIES				
Addition of property, plant and equipment and payment for CIP	(2,008)	(2,903)	(1,212)	(1,809)
Proceed received from disposal of property, plant and equipment and land use rights	-	10,351	-	6,449
Net cash (used in)/ from investing activities	(2,008)	7,448	(1,212)	4,640
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings from directors	1,009	1,116	610	695
(Repayment of)/proceeds from bank loans	2,580	(26,900)	1,557	(16,759)
Interest expense	(6,295)	(6,190)	(3,799)	(3,856)
Net cash used in financing activities	(2,706)	(31,974)	(1,632)	(19,920)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(293)	280	(177)	175
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	401	121	242	74
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	108	401	65	249

Note:

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR
THE FOURTH QUARTER ENDED 31 DECEMBER 2018

**A. SELECTED EXPLANATORY NOTES TO THE UNAUDITED FINANCIAL REPORT FOR
THE FOURTH QUARTER ENDED 31 DECEMBER 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 December 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 FOURTH QUARTER ENDED 31 DECEMBER 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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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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

	Financial Period Ended 31 December 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	52,493	85,061	-	26,272	163,826
Segment results	12,759	29,504	-	2,421	44,684
Other income					24,810
Unallocated costs					(44,071)
Finance expenses					(7,090)
Profit before income tax					18,333
Income tax expense					-
Profit for the period					18,333
Other segment information:					
Depreciation and amortisation					18,947
Capital expenditures					2,008

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

8. Segment information (continue)

Financial Period Ended 31 December 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	31,680	51,334	-	15,855	98,869
Segment results	7,700	17,806	-	1,461	26,967
Other income					14,973
Unallocated costs					(26,597)
Finance expenses					(4,279)
Profit before income tax					11,064
Income tax expense					-
Profit for the period					11,064
Other segment information:					
Depreciation and amortisation					11,435
Capital expenditures					1,212

Note:

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Financial Period Ended 31 December 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	48,639	91,048	-	28,019	167,706
Segment results	12,403	33,852	-	6,503	52,758
Other income					11,865
Unallocated costs					(35,585)
Finance expenses					(6,929)
Loss before income tax					22,109
Income tax expense					-
Loss for the period					22,109
Other segment information:					
Depreciation and amortisation					18,597
Capital expenditures					2,903



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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

8. Segment information (continue)

	<u>Financial Period Ended 31 December 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	30,302	56,723	-	17,456	104,481
Segment results	7,727	21,090	-	4,051	32,868
Other income					7,392
Unallocated costs					(22,169)
Finance expenses					(4,317)
Loss before income tax					13,774
Income tax expense					-
Loss for the period					13,774
Other segment information:					
Depreciation and amortisation					11,586
Capital expenditures					1,809

Note:

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9. Subsequent events

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

10. Changes in the composition of the Group

There is no changes in the composition of the Group.

11. Contingent liability or assets

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

12. Non-current assets

The Group acquired additional non-current assets of total RMB2.0 million, consist of property, plant and equipment, construction in progress facilities and biological assets.

13. Listing Requirement

The external auditors had performed a limited review on the interim condensed financial statements of the Group as at 31 December 2018 pursuant to a directive issued by Bursa Malaysia Securities Berhad on 19 September 2018.



恒宝环球

HB Global Limited

(Company Registration No.: 200608505W)

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

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	31,817
Construction of Feedstock plant	30,000	18,105

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	299	180	1,195	721
Post employment benefits	-	-	-	-

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

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

Our revenue slightly decreased by RMB3.9 million or approximately 2.3% from RMB167.7 million in financial year ended 31 December 2017 (“FYE2017”) to RMB163.8 million in financial year ended 31 December 2018 (“FYE2018”). The decrease was mainly due to the slightly decrease in sales of Frozen Vegetable products.

The Group’s Gross Profit (“GP”) margin decrease from 31.5% in FYE2017 to 27.3% in FYE2018. This was mainly attributable to the depreciation of currency of Chinese Renminbi. Our products, Frozen Vegetable had shown decreased in GP margin of 2.5% in FYE2018, Ready-To-Serve products had shown decreased of 1.2% GP margin and others products had shown a sharp decrease from 23.2% in FYE2017 to 9.2% in FYE2018. Other products to include frozen spring roll and had shown a decrease of GP margin 6.7% where its revenue represent 94.4% of total revenue achieved for other products hence had significant affect the GP margin. Other operating income increased to RMB24.8 million in FYE2018 was mainly attributable to the reversal of impairment loss of PPE, inventories, land use right and prepayment for land use right for an amount of RMB22.3 million.

Selling and distribution expenses increased by RMB0.6 million to RMB2.4 million in FYE2018 was mainly due to the increase in transportation cost. General and administration expenses decreased by RMB2.7 million in FYE2018 was mainly due to decrease in employment/staff cost of approximately RMB1.5 million and the cost control in other areas. The Group achieved a net profit before taxation of RMB18.3 million in FYE2018 which shown an improvement in operation and a performing business strategy as compared to FYE2017, these had demonstrated the management commitment towards improving the financial health of the Company.

Other operating expenses increased by RMB10.5 million in FYE2018 were mainly due to the RMB10.2 million provision of doubtful debts according to new International Financial Reporting Standard ruling to make such provision in FYE2018.

The decrease in net profit before taxation from RMB22.1 million in FYE2017 to RMB18.3 million in FYE2018 was the result of the above explanations and the reduction in gross profits achieved during the financial year.

Review of Balance Sheet

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

The increase in inventories of RMB7.5 million from FYE2017 was mainly to meet the increased demand of our products for coming month. The Group’s policy is to keep the inventories level which are sufficient to fulfill demand of orders placed by customers. Trade receivables increased by RMB7.6 million from RMB59.6 million in FYE2017 to RMB67.2 million in FYE2018 was mainly due to the requirement of customers to extend their credit period. Trade and other payables slightly decreased from RMB39.5million in FYE2017 to RMB30.6 million in FYE2018 was mainly due to the sourcing plan from production in the current quarter to meet the demand of our products for coming month.

The increase of RMB2.6 million in short term bank loan was newly drawn down during FYE2018 for working capital purposes.

Review of Cash Flow Statement

Net cash generated in operating activities decreased in FYE2018 by approximately RMB20.4 million was mainly due to the decrease of GP margin of our products, the prompt repayment period to trade and other payables and extend credit term given to our local customers.



HB Global Limited

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

Net cash used in investing activities increased RMB9.4 million in FYE2018 was due to a disposal of old plants in FYE2017. Also there were additional production facilities acquired to meet the growing volume in our frozen vegetable products.

2. Variation of results against immediate preceding quarter

	Current Quarter 31 December 2018		Preceding Quarter 30 September 2018	
	RMB'000	RM'000	RMB'000	RM'000
Revenue	46,697	28,182	41,446	24,959
Profit before taxation	14,781	8,921	513	309
Profit after taxation	14,781	8,921	513	309

The Group recorded revenue of RMB46.7million in the current quarter, increased by approximately RMB5.3 million or 12.8% from RMB41.4 million in the immediate preceding quarter due to the improved local demand for our frozen vegetable products that ultimately exported.

The increase in profit before taxation and after taxation is mainly due to the reversal of impairment on property, plant and equipment, inventories, land use right and prepayment for land use right for the current quarter.

3. Prospects for FYE 2018

The management of the Group had delivered a steady performance since FYE2017 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 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 aims to add more automation production line so as to be more cost effective once capital available which in term will help to improve its performance in long run.

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.



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HB Global Limited

(Company Registration No.: 200608505W)

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

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

6. Sales of unquoted investment / properties

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

7. Purchase or disposal of quoted securities

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

8. Status of utilization of proceeds

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

9. Group's borrowings and debt securities

The Group's borrowings and debt securities as of 31 December 2018 were as follows:

	RMB'000	RM'000
Loans – unsecured*	20,408	12,316
Short-term Loan – unsecured	-	-
Short-term Loan – secured [®]	83,180	50,199

Loans – unsecured*

On 31 December 2018, the company (HB Global Ltd) entered into a loan agreement with Shen Hengbao (referred to as the “Ultimate-shareholder”) amounting to SGD4.06 million (approximately RMB20.41 million) as lender. The loan is at interest rate of 5.5% market rate. The tenure of the loan is 3 years and will be automatically renewed for another 3 years unless the Directors decide that the loan is no longer required.

Short-term Loan – secured[®]

The subsidiary company entered into several short-term agreements with several local banks for a total amount of RMB55 million loan and are secured by pledging of few pieces of land use rights.

10. Off-balance sheet financial instrument risks

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

11. Changes in material litigation

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



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

12. Realised and Unrealised Profit/Losses Disclosure

The retained earnings as at 31 December 2018 and 30 September 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	111,364	67,208	96,533	58,258
- Unrealised	(753)	(454)	(703)	(424)
Total Group Retained Earnings	110,611	66,754	95,830	57,834

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HB Global Limited

(Company Registration No.: 200608505W)

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR
THE FOURTH QUARTER ENDED 31 DECEMBER 2018

13. Earning per share

Basic Earning per Share

	Quarter Ended	Preceding Year	Quarter	Preceding Year	Year to Date	Year to Date	Year to Date	Year to Date
	31 Dec 2018	Corresponding	Ended	Corresponding	Ended	Ended	Ended	Ended
	31 Dec 2018	Quarter	31 Dec 2018	Quarter	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Profit/(loss) attributable to - equity holders of the company	14,781	19,471	8,921	12,131	18,333	22,109	11,064	13,774
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)	3.16	4.16	1.91	2.59	3.92	4.72	2.36	2.94

By Order of the Board

SHEN HENGBAO
Chief Executive Officer