



恒宝环球

HB Global Limited

(Company Registration No.: 200608505W)

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR
THE FIRST QUARTER ENDED 31 MARCH 2019

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2019

Unaudited Condensed Consolidated Statement Of Comprehensive Income

	Quarter Ended	Preceding Year Corresponding Quarter	Quarter Ended	Preceding Year Corresponding Quarter	Year to Date Ended	Year to Date Ended	Year to Date Ended	Year to Date Ended
	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Revenue	37,030	36,755	22,507	22,582	37,030	36,755	22,507	22,582
Cost of sales	(26,465)	(27,227)	(16,085)	(16,728)	(26,465)	(27,227)	(16,085)	(16,728)
Gross profit	10,565	9,528	6,422	5,854	10,565	9,528	6,422	5,854
Other operating income	7,219	1,065	4,388	654	7,219	1,065	4,388	654
Selling and distribution expenses	(516)	(471)	(314)	(289)	(516)	(471)	(314)	(289)
General and administrative expenses	(6,895)	(7,107)	(4,191)	(4,367)	(6,895)	(7,107)	(4,191)	(4,367)
Other operating expenses	-	(145)	-	(89)	-	(145)	-	(89)
Operating profit	10,373	2,870	6,305	1,763	10,373	2,870	6,305	1,763
Finance costs	(1,336)	(1,906)	(812)	(1,171)	(1,336)	(1,906)	(812)	(1,171)
Profit before taxation	9,037	964	5,493	592	9,037	964	5,493	592
Taxation	-	-	-	-	-	-	-	-
Profit after taxation	9,037	964	5,493	592	9,037	964	5,493	592
Other comprehensive income for the period (net of tax)	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) after tax	9,037	964	5,493	592	9,037	964	5,493	592



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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
	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Profit attributable to:-								
- Equity holders of HB	9,037	964	5,493	592	9,037	964	5,493	592
- Non-controlling interest	-	-	-	-	-	-	-	-
Total comprehensive income attributable to:-								
- Equity holders of HB	9,037	964	5,493	592	9,037	964	5,493	592
- Non-controlling interest	-	-	-	-	-	-	-	-
Earning Per Share *								
- Basic (RMB cents/ sen)	1.93	0.21	1.17	0.13	1.93	0.21	1.17	0.13
- Diluted (RMB cents/ sen)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Note:

The financial statements are presented in Renminbi (“RMB”) and translated into Ringgit Malaysia (“RM”) for information purposes and reference at the exchange rate of RMB1: RM0.6078 at 31 March 2019 and : RM0.6144 at 31 March 2018 with comparatives are shown for illustration purpose. This translation should not be construed as a representation that RMB amounts actually represented have been or could be converted in RM at this or any other rate.



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2019

Condensed Consolidated Statements of Financial Positions

	Unaudited As at 31 March 2019	Audited As at 31 Dec 2018	Unaudited As at 31 March 2019	Audited As at 31 Dec 2018
	RMB'000	RMB'000	RM'000	RM'000
Non-Current Assets				
Property, plant and equipment	226,398	231,302	137,604	139,711
Construction in progress	42,280	42,280	25,698	25,395
Land use right	64,020	64,008	38,911	38,629
	332,698	337,590	202,213	203,735
Current Assets				
Inventories	21,232	15,309	12,905	9,239
Trade and other receivables	45,175	67,170	27,457	40,537
Prepayment for land use right	66,792	66,792	40,596	40,309
Cash and bank balance	2,027	108	1,232	65
	135,226	149,379	82,190	90,150
TOTAL ASSETS	467,924	486,969	284,403	293,885
Capital and Reserves				
Share capital	146,161	146,161	88,836	88,208
Reserves	67,483	67,483	41,016	40,726
Retained earnings	119,640	110,603	72,716	66,749
Non-Controlling Interest	404	404	245	244
Total Equity	333,688	324,651	202,813	195,927
Non-Current Liabilities				
Borrowings	20,086	20,407	12,208	12,316
	20,086	20,407	12,208	12,316
Current Liabilities				
Trade payables and other payables	16,202	30,845	9,848	18,614
Income tax liabilities	-	-	-	-
Amount due to ex-shareholders	4,485	6,317	2,727	3,812
Amount due to director	10,283	21,569	6,250	13,017
Short term loan	83,180	83,180	50,557	50,199
	114,150	141,911	69,382	85,642
Total Liabilities	134,236	162,318	81,590	97,958
TOTAL EQUITY AND LIABILITIES	467,924	486,969	284,403	293,885
Net asset per share attributable to equity holders of the Company (RMB / RM) ⁽¹⁾	0.71	0.69	0.43	0.42

The Company had submitted its Audited Financial Statements for the year ended 31 December 2018 on due date and had made announcement on 30 April 2019.

Note:

- (1) The net assets per share attributable to equity holders of the Company is computed based on the net assets as at 31 March 2019 and 31 December 2018 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: RM0.6078 at 31 March 2019 and : RM0.6035 at 31 December 2018 with comparatives are shown for illustration purpose. This translation should not be construed as a representation that RMB amounts actually represented have been or could be converted in RM at this or any other rate.



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2019

Unaudited Condensed Consolidated Statements Of Changes In Equity

3 months ended 31 March 2019	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 2019	146,161	76,090	(16,844)	8,237	110,603	404	324,651
Total comprehensive income for the period	-	-	-	-	9,037	-	9,037
At 31 March 2019	<u>146,161</u>	<u>76,090</u>	<u>(16,844)</u>	<u>8,237</u>	<u>119,640</u>	<u>404</u>	<u>333,688</u>

3 months ended 31 March 2019	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 2019	88,836	46,248	(10,238)	5,006	67,223	245	197,320
Total comprehensive income for the period	-	-	-	-	5,493	-	5,493
At 31 March 2019	<u>88,836</u>	<u>46,248</u>	<u>(10,238)</u>	<u>5,006</u>	<u>72,716</u>	<u>245</u>	<u>202,813</u>

Note:

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Unaudited Condensed Consolidated Statements Of Changes In Equity (continue)

3 months ended 31 March 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 loss for the period	-	-	-	-	964	-	964
At 31 March 2018	<u>146,161</u>	<u>76,090</u>	<u>(16,844)</u>	<u>8,237</u>	<u>93,242</u>	<u>404</u>	<u>307,290</u>

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

The Company had submitted its Audited Financial Statements for the year ended 31 December 2018 on due date and had made announcement on 30 April 2019.

Note:

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Unaudited Condensed Consolidated Statements Of Cash Flow

	As at 31 March 2019 RMB'000	As at 31 March 2018 RMB'000	As at 31 March 2019 RM'000	As at 31 March 2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before income tax	9,037	964	5,493	592
Adjustments for:				
Depreciation	4,996	4,876	3,036	2,996
Property, plant and equipment written off	94	-	57	-
Reversal of provision of doubtful debts	(6,506)	-	(3,954)	-
Interest expenses	1,336	1,906	812	1,171
Unrealised foreign exchange gain	(58)	(383)	(35)	(236)
OPERATING GAIN BEFORE WORKING CAPITAL CHANGES	8,899	7,363	5,409	4,523
In inventories	(5,923)	(3,044)	(3,600)	(1,871)
In trade and other receivables	28,727	12,628	17,460	7,758
In trade and other payables	(14,812)	(10,820)	(9,003)	(6,648)
Cash from operations	16,891	6,127	10,266	3,762
Interest paid	(1,336)	(1,906)	(812)	(1,171)
Net cash generated from operating activities	15,555	4,221	9,454	2,591
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(185)	-	(112)	-
Purchase of intangible assets	(12)	-	(7)	-
Net cash used in investing activities	(197)	-	(119)	-
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown from short-term loan	-	15,000	-	9,216
(Repayment) / advance from director	(13,439)	(3,302)	(8,168)	(2,029)
Repayment of loan	-	(10,182)	-	(6,256)
Repayment from shareholder	-	-	-	-
Net cash (used in) / generated from financing activities	(13,439)	1,516	(8,168)	931
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,919	5,737	1,167	3,522
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	108	401	65	249
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	2,027	6,138	1,232	3,771

The Company had submitted its Audited Financial Statements for the year ended 31 December 2018 on due date and had made announcement on 30 April 2019.

Note:

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2019

A. SELECTED EXPLANATORY NOTES TO THE UNAUDITED FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2019

1. Basis of preparation

a) Basis of accounting

The financial statements are unaudited and have been prepared in accordance with the provisions of the Singapore Companies Act (the “Act”), Singapore Financial Reporting Standards (International) [“SFRS(I)s”] which are simultaneously compliant with International Financial Reporting Standard (IFRSs) issued by the International Accounting Standards Board (IASB) 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 2018 and the accompanying explanatory notes attached to this unaudited financial report.

b) Changes in accounting policies

The Group has adopted a new financial reporting framework, SFRS(I) on 1 January 2018. SFRS(I)s comprise standards and interpretations that are equivalent to IFRSs as issued by the International Accounting Standards Board. An entity that compiles with SFRS(I)s can also elect to simultaneously include an explicit and unreserved statement of compliance with IFRS. The Group has elected to assert dual compliance with both SFRS(I)s and IFRSs with effect from annual periods beginning on or after 1 January 2018. All references to SFRS(I)s and IFRSs are referred collectively as SFRS(I)s in these financial statements, unless specified otherwise. The financial statements for the financial year ended 31 December 2018 are the first set of annual financial statements the Group prepared in accordance with SFRS(I)s. The preparation of financial statements in conformity with SFRS(I) requires management to exercise its judgement in the process of applying the Group’s accounting policies. It also requires the use of accounting estimates and assumptions. Although these estimates are based on management’s best knowledge of current events and actions, actual results may ultimately differ from those estimates.

INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS EFFECTIVE IN 2018

On 1 January 2018, the Company adopted the new or amended SFRS(I) and Interpretations of SFRS(I) (“INT SFRS(I)”) that are mandatory for application for the financial year. Changes to the Company’s accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and INT SFRS(I). The adoption of these new or amended SFRS(I) and INT SFRS(I) did not result in substantial changes to the Company’s accounting policies and had no material effect on the amounts reported for the current or prior financial years.

c) Basis of consolidation

The financial statements of the Group include the financial statements of the Company and its subsidiaries 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.



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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 2018 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 2018 ("FS 2018") to draw an attention to the board and shareholders as regard to the emphasis of matter and key audit matters as follow:

Emphasis of Matter and Key Audit Matter

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

"Emphasis of Matter"

Status of Regularisation Plan

Auditor draw attention to the financial statements which describes that the Company being a Practice Note 17 ("PN 17") issuer, is required to submit a regularisation plan to Bursa Malaysia Securities Berhad ("Bursa Securities"). Among the latest updates, the Company had on 29 October 2018 obtained approval from Bursa Securities for a further extension of time to submit its regularisation plan by 31 March 2019.

On 29 March 2019, the Company announced that it had made an application to Bursa Securities for a wavier from the requirements to submit and implement its regularisation plan (the "Waiver") and to uplift its PN17 status. The Company also seek approval for a further extension of time of three months until 30 June 2019 to submit its regularisation plan.

From the latest announcement dated 1 April 2019, the Company announced that its application for the Wavier and further extension of time for the submission of the regularisation plan is still pending approval from Bursa Securities.

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 FY2018. 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 2018.



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3. Seasonality or cyclicity of operation

The business of the Group was not affected by any significant seasonal and cyclical factors for the current quarter and financial year-to-date other than the holiday effect on the operation for Chinese New Year festival.

4. Unusual items

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

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 treasure shares for the current financial year to date.

7. Dividends

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

8. Segment information

Financial Year Ended 31 March 2019					
	<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	11,847	15,658	-	9,525	37,030
Segment results	2,702	5,811	-	2,052	10,565
Other income					7,219
Unallocated costs					(7,411)
Finance expenses					(1,336)
Profit before income tax					9,037
Income tax expense					-
Profit for the period					9,037
Other segment information:					
Depreciation and amortization					4,996
Capital expenditures					197

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8. Segment information (continue)

Financial Period Ended 31 March 2019					
	<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	7,201	9,517	-	5,789	22,507
Segment results	1,642	3,532	-	1,248	6,422
Other income					4,388
Unallocated costs					(4,505)
Finance expenses					(812)
Profit before income tax					5,493
Income tax expense					-
Profit for the period					5,493
Other segment information:					
Depreciation and amortisation					3,036
Capital expenditures					119

Note:

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



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8. Segment information (continue)

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

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 had acquired additional non-current assets of approximately RMB 0.2 million during the quarter under review.

13. Listing Requirement

The external auditors had performed a limited review on the interim condensed financial statements of the Group as at 31 March 2019 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	32,043
Construction of Feedstock plant	30,000	18,234
Power station, compressor and cabling	-	-

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	74	45	74	45
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 slightly increased by RMB0.2 million or approximately 0.5% from RMB36.8 million in financial period ended 31 March 2018 (“FPE2018”) to RMB37.0 million in financial period ended 31 March 2019 (“FPE2019”). The increased was mainly due to increase in sales of RTS products and other products but compensate by the reduction of demand for our Frozen Vegetable products. Pricing and currency issues still affecting the demand of our products and hence no major improvement on performance during the quarter under review.

Average Gross Profits (“GP”) margin increased from 25.9% for FPE2018 to 28.5% for FPE2019 was mainly attributable to the better profit margin achieved for our products mix sold during period under review. RTS GP margin increase was due to the lower cost of material for our Duck meat product. The increase point for Frozen Vegetables products in FPE2019 was mainly the increase in demand of our “Frozen Onion Ring” products. Other income increase was mainly due to the increase in Rental income and the Reversal of provision of doubtful debts provided in FYE2018 for an amount of approximately RMB6.5 million.

Selling and distribution expenses increased in FPE2019 as a result of the increase in contribution of Education funds and Developments funds set by the Authority. General and administration expenses were tightly control by the management and hence only show slightly decrease of RMB0.2 million in FPE2019. Other operating expenses decreased in FPE2019 was mainly due to the unrealized exchange losses adjustment. Net Profit before taxation increase to RMB9.0 million in FPE2019 mainly due to the lower operating cost, better profit margin achieved and reversal of provision of doubtful debts during the period under review.

Review of Balance Sheet

There were limited additions of RMB0.2 million in property, plant and equipment for the current quarter.

Inventories increase of RM5.9 million was mainly due to the demand of our certain products in early 2nd quarter of 2019. Trade and other receivables decreased by RMB22.0 million from RMB67.2 million in FYE2018 to RMB45.2 million in FPE2019 due to tight control of credit terms given to customers during the periods under review and lower sales in Q1 2019. Trade and other payables decreased from RMB30.8 million in FYE2018 to RMB16.2 million in FPE2019 was mainly due to timely payment off accruals in FYE2018 and suppliers.

Review of Cash Flow Statement

Net cash generated from operating activities increased by RMB11.4 million from RMB4.2 million for FPE2018 compared to net cash generated from operating activities of RMB15.6 million in FPE2019. The increase was mainly due to the better performance of our profit margin and more effective debts collection.

Due to the suspension of investment plans in duck farming division, there is only minimum investment during the current quarter. The repayment of directors’ advance for FPE2019 mainly due to the expiry of the 10 years loan with directors.



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2. Variation of results against immediate preceding quarter

	Current Quarter 31 Mar 2019		Preceding Quarter 31 Dec 2018	
	RMB'000	RM'000	RMB'000	RM'000
Revenue	37,030	22,507	46,697	28,382
Profit Before Taxation	9,037	5,493	14,781	8,984
Profit After Taxation	9,037	5,493	14,781	8,984

The Group recorded revenue of RMB37.0 million in the current quarter, decreased by approximately RMB9.7 million (20.7%) from RMB46.7 million in the immediate preceding quarter due to the Chinese New Year season effect and the lower demand for our products from overseas market.

The Profit before taxation and after taxation decreased is mainly due to the Reversal of impairment losses and partly offset by the provision of doubtful debts occurred in FYE2018 and on the recognition of reversal of provision of doubtful debts in the current quarter (FPE2019).

3. Prospects for FYE 2019

Change in government policies to regulate the food industry to improve health standards and encourage environmentally friendly food processing have had an impact on the food processing industry in China. At the same time growing expectation by consumers for better food quality and variety and the need to improve logistics on food delivery have further increased costs. These structural changes poses challenges to the Group. To with these challenges, the Group continues to look beyond our customers' base and explore new opportunities in other industries, in short term and medium term the Group remain positive that we have the knowledge, capabilities and resources to continue to be a driving force food industry.

Management believed that the continuing of our current strategy which had shown workable in the past, will lead to a better performance in FY2019.

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

6. Sales of unquoted investment / properties

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

7. Purchase or disposal of quoted securities

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

8. Status of utilization of proceeds

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

9. Group's borrowings and debt securities

The Group's borrowings and debt securities as of 31 March 2019 were as follows:

	RMB'000	RM'000
Loans – unsecured*	20,086	12,208
Short-term Loan – unsecured	-	-
Short-term Loan – secured [@]	83,180	50,557

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 RMB20.09 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 RMB83 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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12. Realised and Unrealised Profit/Losses Disclosure

The retained earnings as at 31 March 2019 and 31 December 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	119,582	72,681	111,356	67,203
- Unrealised	58	35	(753)	(454)
Total Group Retained Earnings	119,640	72,716	110,603	66,749

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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 Mar 2019	Corresponding	Ended	Corresponding	Ended	Ended	Ended	Ended
	31 Mar 2019	Quarter	31 Mar 2019	Quarter	31 Mar 2019	31 Mar 2018	31 Mar 2019	31 Mar 2018
	RMB'000	31 Mar 2018	RM'000	31 Mar 2018	RMB'000	RMB'000	RM'000	RM'000
Profit attributable to - equity holders of the company	9,037	964	5,493	592	9,037	964	5,493	592
- Non-controlling interest	-	-	-	-	-	-	-	-
Weighted average number of ordinary share in issue ('000)	468,000	468,000	468,000	468,000	468,000	468,000	468,000	468,000
Earning Per Share - Basic (RMB cents/ sen)	1.93	0.21	1.17	0.13	1.93	0.21	1.17	0.13

By Order of the Board

SHEN HENGBAO
Chief Executive Officer