



恒宝环球

HB Global Limited

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR
THE SECOND QUARTER ENDED 30 JUNE 2019

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 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 |
|--|---------------|--------------------------------------|---------------|--------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 30 June 2019 | 30 June 2018 | 30 June 2019 | 30 June 2018 | 30 June 2019 | 30 June 2018 | 30 June 2019 | 30 June 2018 |
| | RMB'000 | RMB'000 | RM'000 | RM'000 | RMB'000 | RMB'000 | RM'000 | RM'000 |
| Revenue | 36,735 | 38,928 | 22,092 | 23,715 | 73,765 | 75,684 | 44,362 | 46,107 |
| Cost of sales | (24,423) | (27,533) | (14,688) | (16,773) | (50,888) | (54,760) | (30,604) | (33,360) |
| Gross profit | 12,312 | 11,395 | 7,404 | 6,942 | 22,877 | 20,924 | 13,758 | 12,747 |
| Other operating income | 30 | 6 | 18 | 4 | 4,914 | 1,071 | 2,955 | 652 |
| Selling and distribution expenses | (389) | (499) | (234) | (304) | (905) | (971) | (544) | (592) |
| General and administrative expenses | (6,746) | (7,016) | (4,057) | (4,275) | (13,641) | (14,123) | (8,209) | (8,603) |
| Other operating expenses | (2,365) | (293) | (1,422) | (178) | (30) | (438) | (18) | (267) |
| Operating profit | 2,842 | 3,593 | 1,709 | 2,189 | 13,215 | 6,463 | 7,942 | 3,937 |
| Finance costs | (1,327) | (1,517) | (798) | (924) | (2,663) | (3,423) | (1,601) | (2,085) |
| Profit before taxation | 1,515 | 2,076 | 911 | 1,265 | 10,552 | 3,040 | 6,341 | 1,852 |
| Taxation | - | - | - | - | - | - | - | - |
| Profit after taxation | 1,515 | 2,076 | 911 | 1,265 | 10,552 | 3,040 | 6,341 | 1,852 |
| Other comprehensive income for the period (net of tax) | - | - | - | - | - | - | - | - |
| Total comprehensive income after tax | 1,515 | 2,076 | 911 | 1,265 | 10,552 | 3,040 | 6,341 | 1,852 |



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Unaudited Condensed Consolidated Statement Of Comprehensive Income (continue)

| | Quarter Ended | Preceding Year Corresponding Quarter | Quarter Ended | Preceding Year Corresponding Quarter | Year to Date Ended | Year to Date Ended | Year to Date Ended | Year to Date Ended |
|--|---------------|--------------------------------------|---------------|--------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 30 June 2019 | 30 June 2018 | 30 June 2019 | 30 June 2018 | 30 June 2019 | 30 June 2018 | 30 June 2019 | 30 June 2018 |
| | RMB'000 | RMB'000 | RM'000 | RM'000 | RMB'000 | RMB'000 | RM'000 | RM'000 |
| Profit attributable to:- | | | | | | | | |
| - Equity holders of HB | 1,515 | 2,076 | 911 | 1,265 | 10,552 | 3,040 | 6,341 | 1,852 |
| -Non-controlling interest | - | - | - | - | - | - | - | - |
| Total comprehensive income attributable to:- | | | | | | | | |
| - Equity holders of HB | 1,515 | 2,076 | 911 | 1,265 | 10,552 | 3,040 | 6,341 | 1,852 |
| -Non-controlling interest | - | - | - | - | - | - | - | - |
| Earning Per Share * | | | | | | | | |
| - Basic (RMB cents/ sen) | 0.32 | 0.44 | 0.19 | 0.27 | 2.25 | 0.65 | 1.35 | 0.40 |
| - 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: RM0.6014 at 30 June 2019 and : RM0.6092 at 30 June 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 SECOND QUARTER ENDED 30 JUNE 2019

Condensed Consolidated Statements of Financial Positions

| | Unaudited As at 30 June 2019 | Audited As at 31 Dec 2018 | Unaudited As at 30 June 2019 | Audited As at 31 Dec 2018 |
|---|------------------------------------|---------------------------------|------------------------------------|---------------------------------|
| | RMB'000 | RMB'000 | RM'000 | RM'000 |
| Non-Current Assets | | | | |
| Property, plant and equipment | 221,538 | 231,302 | 133,230 | 139,711 |
| Construction in progress | 42,280 | 42,280 | 25,427 | 25,395 |
| Land use right | 64,020 | 64,008 | 38,501 | 38,629 |
| | 327,838 | 337,590 | 197,158 | 203,735 |
| Current Assets | | | | |
| Inventories | 24,812 | 15,309 | 14,922 | 9,239 |
| Trade and other receivables | 53,460 | 67,170 | 32,151 | 40,537 |
| Prepayment for land use right | 66,792 | 66,792 | 40,168 | 40,309 |
| Cash and bank balance | 2,067 | 108 | 1,243 | 65 |
| | 147,131 | 149,379 | 88,484 | 90,150 |
| TOTAL ASSETS | 474,969 | 486,969 | 285,642 | 293,885 |
| Capital and Reserves | | | | |
| Share capital | 146,161 | 146,161 | 87,899 | 88,208 |
| Reserves | 67,483 | 67,483 | 40,584 | 40,726 |
| Retained earnings | 121,155 | 110,603 | 72,861 | 66,749 |
| Non-controlling interest | 404 | 404 | 243 | 244 |
| Total Equity | 335,203 | 324,651 | 201,587 | 195,927 |
| Non-Current Liabilities | | | | |
| Borrowings | 21,107 | 20,407 | 12,693 | 12,316 |
| | 21,107 | 20,407 | 12,693 | 12,316 |
| Current Liabilities | | | | |
| Trade and other payables | 22,654 | 30,845 | 13,624 | 18,614 |
| Income tax liabilities | - | - | - | - |
| Amount due to ex-shareholder | 4,485 | 6,317 | 2,698 | 3,812 |
| Amount due to director | 8,340 | 21,569 | 5,016 | 13,017 |
| Short-term loan | 83,180 | 83,180 | 50,024 | 50,199 |
| | 118,659 | 141,911 | 71,362 | 85,642 |
| Total Liabilities | 139,766 | 162,318 | 84,055 | 97,958 |
| TOTAL EQUITY AND LIABILITIES | 474,969 | 486,969 | 285,642 | 293,885 |
| Net asset per share attributable to equity holders of the Company (RMB / RM) ⁽¹⁾ | 0.72 | 0.69 | 0.43 | 0.42 |

Note:

- (1) The net assets per share attributable to equity holders of the Company is computed based on the net assets as at 30 June 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:RM0.6014 at 30 June 2019 and 1: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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Unaudited Condensed Consolidated Statements Of Changes In Equity

| 6 months ended 30 June 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 | - | - | - | - | 10,552 | - | 10,552 |
| At 30 June 2019 | <u>146,161</u> | <u>76,090</u> | <u>(16,844)</u> | <u>8,237</u> | <u>121,155</u> | <u>404</u> | <u>335,203</u> |

| 6 months ended 30 June 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 | 87,899 | 45,760 | (10,130) | 4,954 | 66,520 | 243 | 195,246 |
| Total comprehensive income for the period | - | - | - | - | 6,341 | - | 6,341 |
| At 30 June 2019 | <u>87,899</u> | <u>45,760</u> | <u>(10,130)</u> | <u>4,954</u> | <u>72,861</u> | <u>243</u> | <u>201,587</u> |

Note:

- (1) The financial statements are presented in Renminbi ("RMB") and translated into Ringgit Malaysia ("RM") for information purposes and reference at the exchange rate of RMB1: RM0.6014 at 30 June 2019 and : RM0.6092 at 30 June 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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Unaudited Condensed Consolidated Statements Of Changes In Equity (continue)

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

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

Note:

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Unaudited Condensed Consolidated Statements Of Cash Flow

| | As at 30 June 2019 | As at 30 June 2018 | As at 30 June 2019 | As at 30 June 2018 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | RMB'000 | RMB'000 | RM'000 | RM'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Profit before income tax | 10,552 | 3,040 | 6,341 | 1,852 |
| Adjustments for: | | | | |
| Depreciation | 9,990 | 9,932 | 6,010 | 6,050 |
| Reversal of impairment loss on trade receivables | (4,227) | - | (2,540) | - |
| Property, plant and equipment written off | 94 | - | 57 | - |
| Unrealised foreign exchange loss/(gain) | 30 | (73) | 18 | (44) |
| Interest expense | 2,663 | 3,423 | 1,602 | 2,085 |
| OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES | 19,102 | 16,322 | 11,488 | 9,943 |
| Inventories | (9,503) | (9,029) | (5,715) | (5,500) |
| Trade and other receivables | 17,937 | (469) | 10,787 | (286) |
| Trade and other payables | (8,221) | (4,409) | (4,944) | (2,686) |
| Cash from operations | 19,315 | 2,415 | 11,616 | 1,471 |
| Interest paid | - | - | - | - |
| Interest received | - | - | - | - |
| Net cash generated from operating activities | 19,315 | 2,415 | 11,616 | 1,471 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchase of property, plant and equipment | (320) | - | (192) | - |
| Purchase of land use rights | (12) | - | (7) | - |
| Net cash used in investing activities | (332) | - | (199) | - |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Repayment of borrowings from directors | (12,529) | (628) | (7,535) | (382) |
| Repayment to ex-shareholder | (1,832) | - | (1,102) | - |
| Proceeds from loans | - | 4,318 | - | 2,631 |
| Interest paid | (2,663) | (3,423) | (1,602) | (2,085) |
| Net cash (used in)/generated from financing activities | (17,024) | 267 | (10,239) | 164 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 1,959 | 2,682 | 1,178 | 1,635 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD | 108 | 401 | 65 | 243 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD | 2,067 | 3,083 | 1,243 | 1,878 |

Note:

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A. SELECTED EXPLANATORY NOTES TO THE UNAUDITED FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 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



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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 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.

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 treasury shares for the current financial year to date.

7. Dividends

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

8. Segment information

| Financial Year Ended 30 June 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 | 22,277 | 34,903 | - | 16,585 | 73,765 |
| Segment results | 4,952 | 14,507 | - | 3,418 | 22,877 |
| Other income | | | | | 4,914 |
| Unallocated costs | | | | | (14,577) |
| Finance expenses | | | | | (2,663) |
| Profit before income tax | | | | | 10,552 |
| Income tax expense | | | | | - |
| Profit for the period | | | | | 10,552 |
| Other segment information: | | | | | |
| Depreciation and amortisation | | | | | 9,990 |
| Capital expenditures | | | | | 332 |

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8. Segment information (continue)

| Financial Period Ended 30 June 2019 | | | | | |
|--|-----------------------------------|---------------------------------|----------------------------|----------------------|---------------------|
| | <u>Ready-to-serve Food</u> | <u>Frozen Vegetables</u> | <u>Duck Farming</u> | <u>Others</u> | <u>Total</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 13,397 | 20,991 | - | 9,974 | 44,362 |
| Segment results | 2,978 | 8,725 | - | 2,055 | 13,758 |
| Other income | | | | | 2,955 |
| Unallocated costs | | | | | (8,771) |
| Finance expenses | | | | | (1,601) |
| Profit before income tax | | | | | 6,341 |
| Income tax expense | | | | | - |
| Profit for the period | | | | | 6,341 |
| Other segment information: | | | | | |
| Depreciation and amortisation | | | | | 6,010 |
| Capital expenditures | | | | | 199 |

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: RM0.6014 at 30 June 2019 and : RM0.6092 at 30 June 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.

| Financial Year Ended 30 June 2018 | | | | | |
|--|-----------------------------------|---------------------------------|----------------------------|----------------------|---------------------|
| | <u>Ready-to-serve Food</u> | <u>Frozen Vegetables</u> | <u>Duck Farming</u> | <u>Others</u> | <u>Total</u> |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Revenue | 24,227 | 37,178 | - | 14,279 | 75,684 |
| Segment results | 4,885 | 13,294 | - | 2,745 | 20,924 |
| Other income | | | | | 1,071 |
| Unallocated costs | | | | | (15,532) |
| Finance expenses | | | | | (3,423) |
| Profit before income tax | | | | | 3,040 |
| Income tax expense | | | | | - |
| Profit for the period | | | | | 3,040 |
| Other segment information: | | | | | |
| Depreciation and amortisation | | | | | 9,932 |
| Capital expenditures | | | | | - |



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8. Segment information (continue)

| Financial Year Ended 30 June 2018 | | | | | |
|--|---|---|--------------------------------------|--------------------------------|-------------------------------|
| | <u>Ready-to-serve Food</u> RM'000 | <u>Frozen Vegetables</u> RM'000 | <u>Duck Farming</u> RM'000 | <u>Others</u> RM'000 | <u>Total</u> RM'000 |
| Revenue | 14,759 | 22,649 | - | 8,699 | 46,107 |
| Segment results | 2,976 | 8,099 | - | 1,672 | 12,747 |
| Other income | | | | | 652 |
| Unallocated costs | | | | | (9,462) |
| Finance expenses | | | | | (2,085) |
| Profit before income tax | | | | | 1,852 |
| Income tax expense | | | | | - |
| Profit for the period | | | | | 1,852 |
| Other segment information: | | | | | |
| Depreciation and amortisation | | | | | 6,050 |
| Capital expenditures | | | | | - |

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: RM0.6014 at 30 June 2019 and : RM0.6092 at 30 June 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.

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 were 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 of RMB0.3 million non-current assets 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 30 June 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 | 31,706 |
| Construction of Feedstock plant | 30,000 | 18,042 |
| 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 | 76 | 46 | 152 | 91 |
| 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

The Group's revenue slightly decreased by RMB1.9 million or approximately 2.5% from RMB75.7 million in financial period ended 30 June 2018 ("FPE2018") to RMB73.8 million in financial period ended 30 June 2019 ("FPE2019"). The decrease was mainly due to the slightly decrease in demand volume of our products mix required by customers.

Gross Profit ("GP") margin slightly increased from 27.6% for FPE2018 to 31.0% for FPE2019. This was mainly attributable to the depreciation of Chinese Yen Renminbi against Japanese Yen and better profit margin achieved for our products mix. Other operating income increased by RMB3.8 million in FPE2019 was mainly due to the reversal of provision of doubtful debts for a net amount of RMB4.2 million in FPE2019. First quarter of 2019 was a total reversal of RMB6.5 million and an additional provision of RMB2.3 million in current quarter.

Selling and distribution expenses had shown slight decrease when compared against FPE2018 and was mainly due to the decrease in transportation charges of an amount of RMB0.5 million but compensate by the increase of mandatory contribution in development and education tax. General and administration expenses decreased by RMB0.5 million in FPE2019 was mainly due to the management tight control on spending. Other operating expense decreased RMB0.4 million was mainly due decrease in unrealised exchange loss. The Group achieved net profit before taxation of RMB10.5 million in FPE2019 as compared to RMB3.0 million in FPE2018 was mainly due to the higher Revenue and Gross profit margin achieved for this period and an amount of RMB4.2 million on reversal of provision of doubtful debts.

Review of Balance Sheet

There is minor addition of RMB0.3 million on property, plant and equipment for the current quarter as the Group had slowed down the investment in PPE during the period under review.

The increase in inventories from RMB15.3 million in FYE2018 to RMB24.8 million in FPE2019 was mainly due to increase in orders placed by customers for delivery in next quarter. Trade and other receivables decreased by RMB13.7 million from RMB67.2 million in FYE2018 to RMB53.5 million in FPE2019 mainly due to general lower trend of revenue achievable in first half. Trade payables decreased from RMB30.8 in FYE2018 to RMB22.7 million in FPE2019 which was in line with the terms given by supplier and our productions plans for our products demands.

The increase in non-current borrowing of RMB0.7 million was mainly the interest accrued and foreign exchange loss for the period on this loan.

Review of Cash Flow Statement

Net cash generated from operating activities increased by RMB16.9 million for FPE2019. The increase was mainly due to the continue performing in Revenue generation, better GP margin control and more effective debts collection of this period.

There were minor investing activities for an amount of RMB0.3 million during the period under review. Net cash of RMB17.0 million used in financing activities was mainly due to the repayment of borrowing during quarter review.



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2. Variation of results against immediate preceding quarter

| | Current Quarter 30 June 2019 | | Preceding Quarter 31 Mar 2019 | |
|------------------------|---------------------------------|--------|----------------------------------|--------|
| | RMB'000 | RM'000 | RMB'000 | RM'000 |
| Revenue | 36,735 | 22,092 | 37,030 | 22,269 |
| Profit Before Taxation | 1,515 | 911 | 9,037 | 5,493 |
| Profit After Taxation | 1,515 | 911 | 9,037 | 5,493 |

The Group recorded revenue of RMB36.7 million in the current quarter, which is a slight decrease by RMB0.3 million or 0.8% from RMB37.0 million in the immediate preceding quarter due to slightly decrease in demand of our RTS products in current quarter.

The Group shown a decrease of RMB7.5 million in profit before taxation and profit after taxation as compared to preceding quarter was mainly due to the an amount of RMB6.5 million reversal of provision of doubtful debts in preceding quarter and additional provision of doubtful debts of RMB2.3 million in current quarter.

3. Prospects for FYE 2019

With the continuous unclear imposition of new custom ruling of US, Europe and China, export market are seem to be volatile and challenging. The management are prepared to face such challenging global market climate and will putting more efforts in building the business surrounding profitable segments. The Group continues to look beyond our customers' base and explore new opportunities, 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.

Barring any unforeseen circumstances in the challenging global economy, the Group continue to embark on capturing the local market and continue to work closely with its channel partners.

4. Profit forecast

The Group does not have any profit forecast or guarantee in the public documents.

5. Income tax expenses

| | Individual Quarter | | Cumulative Quarter | |
|---------------------|--------------------|--------|--------------------|--------|
| | RMB'000 | RM'000 | RMB'000 | RM'000 |
| Income tax expenses | - | - | - | - |

PRC Tax

The PRC income tax is computed according to the relevant laws and regulations in the PRC. The applicable income tax rate is 25% for current quarter and financial year-to-date.

Singapore tax

No provision for Singapore income tax was made as the dividends receivable by the Company from its subsidiary, if any, will not be taxable under the applicable law.

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



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6. Sales of unquoted investment / properties

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

7. Purchase or disposal of quoted securities

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

8. Status of utilisation of proceeds

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

9. Group's borrowings and debt securities

The Group's borrowings and debt securities as of 30 June 2019 were as follows:

| | RMB'000 | RM'000 |
|-----------------------------|---------|--------|
| Loans – unsecured* | 21,107 | 13,624 |
| Short-term Loan – unsecured | - | - |
| Short-term Loan – secured® | 83,180 | 50,024 |
| | | |

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 30 June 2019 and 31 March 2019 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 | 121,185 | 72,879 | 119,582 | 71,915 |
| - Unrealised | (30) | (18) | 58 | 35 |
| Total Group Retained Earnings | 121,155 | 72,861 | 119,640 | 71,950 |



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13. Earning per share

Basic Earning per Share

| | Quarter Ended <u>30 Jun 2019</u> RMB'000 | Preceding Year Corresponding Quarter <u>30 Jun 2018</u> RMB'000 | Quarter Ended <u>30 Jun 2019</u> RM'000 | Preceding Year Corresponding Quarter <u>30 Jun 2018</u> RM'000 | Year to Date Ended <u>30 Jun 2019</u> RMB'000 | Year to Date Ended <u>30 Jun 2018</u> RMB'000 | Year to Date Ended <u>30 Jun 2019</u> RM'000 | Year to Date Ended <u>30 Jun 2018</u> RM'000 |
|---|--|---|--|--|--|--|---|---|
| Profit attributable to - equity holders of the company | 1,515 | 2,076 | 911 | 1,265 | 10,552 | 3,040 | 6,341 | 1,852 |
| Weighted average number of ordinary share in issue ('000) | 468,000 | 468,000 | 468,000 | 468,000 | 468,000 | 468,000 | 468,000 | 468,000 |
| Earning Per Share - Basic (cents/ sen) | 0.32 | 0.44 | 0.19 | 0.27 | 2.25 | 0.65 | 1.35 | 0.40 |

By Order of the Board

SHEN HENGBAO
Chief Executive Officer