



恒宝环球

HB Global Limited

(Company Registration No.: 200608505W)

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR
THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 September 2019	30 September 2018	30 September 2019	30 September 2018	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Revenue	35,028	41,446	20,597	24,959	108,794	117,129	63,970	70,535
Cost of sales	(23,573)	(31,156)	(13,861)	(18,762)	(74,461)	(85,916)	(43,782)	(51,739)
Gross profit	11,455	10,290	6,736	6,197	34,333	31,213	20,188	18,796
Other operating income	-	100	-	60	4,436	1,171	2,608	705
Selling and distribution expenses	(426)	(612)	(250)	(369)	(1,331)	(1,583)	(783)	(953)
General and administrative expenses	(7,880)	(7,039)	(4,634)	(4,239)	(21,521)	(21,162)	(12,654)	(12,744)
Other operating expenses	(1,039)	(731)	(611)	(440)	(591)	(1,169)	(347)	(704)
Operating profit	2,110	2,008	1,241	1,209	15,326	8,470	9,012	5,100
Finance costs	(1,567)	(1,495)	(921)	(900)	(4,229)	(4,918)	(2,487)	(2,962)
Profit before taxation	543	513	320	309	11,097	3,552	6,525	2,138
Taxation	-	-	-	-	-	-	-	-
Profit after taxation	543	513	320	309	11,097	3,552	6,525	2,138
Other comprehensive income for the period (net of tax)	-	-	-	-	-	-	-	-
Total comprehensive income after tax	543	513	320	309	11,097	3,552	6,525	2,138



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

Unaudited Condensed Consolidated Statement Of Comprehensive Income (continue)

	Quarter Ended	Preceding Year Corresponding Quarter	Quarter Ended	Preceding Year Corresponding Quarter	Year to Date Ended	Year to Date Ended	Year to Date Ended	Year to Date Ended
	<u>30 September</u>	<u>30 September</u>	<u>30 September</u>	<u>30 September</u>	<u>30 September</u>	<u>30 September</u>	<u>30 September</u>	<u>30 September</u>
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Profit attributable to:-								
- Equity holders of HB	543	513	320	309	11,097	3,552	6,525	2,138
-Non-controlling interest	-	-	-	-	-	-	-	-
Total comprehensive income attributable to:-								
- Equity holders of HB	543	513	320	309	11,097	3,552	6,525	2,138
-Non-controlling interest	-	-	-	-	-	-	-	-
Earning Per Share *								
- Basic (RMB cents/ sen)	0.12	0.11	0.07	0.07	2.37	0.76	1.39	0.46
- 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: RM0.5880 at 30 September 2019 and RMB1 : RM0.6022 at 30 September 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 THIRD QUARTER ENDED 30 SEPTEMBER 2019

Condensed Consolidated Statements of Financial Positions

	Unaudited As at 30 Sep 2019	Audited As at 31 Dec 2018	Unaudited As at 30 Sep 2019	Audited As at 31 Dec 2018
	RMB'000	RMB'000	RM'000	RM'000
Non-Current Assets				
Property, plant and equipment	216,848	231,502	127,507	139,711
Construction in progress	42,973	42,080	25,268	25,395
Land use right	64,016	64,008	37,641	38,629
	323,837	337,590	190,416	203,735
Current Assets				
Inventories	25,961	15,309	15,265	9,239
Trade and other receivables	53,572	67,170	31,500	40,537
Prepayment for land use right	66,792	66,792	39,274	40,309
Cash and bank balance	1,933	108	1,137	65
	148,258	149,379	87,176	90,150
TOTAL ASSETS	472,095	486,969	277,592	293,885
Capital and Reserves				
Share capital	146,161	146,161	85,942	88,208
Reserve	67,483	67,483	39,680	40,726
Non-controlling interest	404	404	237	244
Retained profit	121,700	110,603	71,560	66,749
Total Equity	335,748	324,651	197,419	195,927
Non-Current Liabilities				
Borrowings	21,731	20,407	12,778	12,316
	21,731	20,407	12,778	12,316
Current Liabilities				
Trade and other payables	17,321	30,845	10,185	18,614
Income tax liabilities	-	-	-	-
Amount due to shareholder	4,486	6,317	2,638	3,812
Amount due to director	9,639	21,569	5,668	13,017
Short-term loan	83,170	83,180	48,904	50,199
	114,616	141,911	67,395	85,642
Total Liabilities	136,348	162,318	80,173	97,958
TOTAL EQUITY AND LIABILITIES	472,095	486,969	277,592	293,885
Net asset per share attributable to equity holders of the Company (RMB / RM) ⁽¹⁾	0.72	0.69	0.42	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 September 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: RM0.5880 at 30 September 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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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

Unaudited Condensed Consolidated Statements Of Changes In Equity

9 months ended 30 September 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	-	-	-	-	11,097	-	11,097
At 30 September 2019	<u>146,161</u>	<u>76,090</u>	<u>(16,844)</u>	<u>8,237</u>	<u>121,700</u>	<u>404</u>	<u>335,748</u>

9 months ended 30 September 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	85,943	44,741	(9,904)	4,843	65,035	237	190,894
Total comprehensive income for the period	-	-	-	-	6,525	-	6,525
At 30 September 2019	<u>85,943</u>	<u>44,741</u>	<u>(9,904)</u>	<u>4,843</u>	<u>71,560</u>	<u>237</u>	<u>197,419</u>

Note:

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

Unaudited Condensed Consolidated Statements Of Changes In Equity (continue)

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

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

Note:

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

Unaudited Condensed Consolidated Statements Of Cash Flow

	As at 30 September 2019 RMB'000	As at 30 September 2018 RMB'000	As at 30 September 2019 RM'000	As at 30 September 2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before income tax	11,097	3,552	6,525	2,138
Adjustments for:				
Depreciation	14,985	14,953	8,811	9,005
Reversal of impairment loss on trade receivables	3,750	-	2,205	-
Loss on disposal of property, plant and equipment and land use rights	94	-	55	-
Unrealised foreign exchange loss	591	703	348	425
Interest expense	4,229	4,918	2,487	2,961
OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES	34,746	24,126	20,431	14,529
In inventories	(10,652)	(5,820)	(6,263)	(3,505)
In trade and other receivables	9,849	(13,536)	5,791	(8,151)
In trade and other payables	(13,584)	(4,046)	(7,987)	(2,436)
Cash from operations	20,359	724	11,972	437
Interest received	-	-	-	-
Net cash generated from operating activities	20,359	724	11,972	437
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property, plant and equipment and intangible assets	(433)	-	(255)	-
Payment of construction in progress	(893)	(936)	(525)	(564)
Net cash used in investing activities	(1,326)	(936)	(780)	(564)
CASH FLOWS FROM FINANCING ACTIVITIES				
Advance / (repayment) from director	(11,136)	(12)	(6,549)	(7)
Borrow / (repayment) from shareholder	(1,832)	-	(1,077)	-
Interest expense	(4,229)	(4,918)	(2,487)	(2,961)
Drawdown from short-term loan	-	42,000	-	25,292
Repayment of short-term loan	(10)	(37,082)	(6)	(22,331)
Net cash used in financing activities	(17,207)	(12)	(10,119)	(7)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,825	(224)	1,073	(134)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	108	401	64	241
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	1,933	177	1,137	107

Note:

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

A. SELECTED EXPLANATORY NOTES TO THE UNAUDITED FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 September 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.

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 Period Ended 30 September 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	30,834	55,389	-	22,570	108,793
Segment results	6,829	23,001	-	4,502	34,332
Other income					4,436
Unallocated costs					(23,443)
Finance expenses					(4,229)
Profit before income tax					11,097
Income tax expense					-
Profit for the period					11,097
Other segment information:					
Depreciation and amortisation					14,985
Capital expenditures					1,326

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

8. Segment information (continue)

Financial Period Ended 30 September 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	18,130	32,569	-	13,271	63,970
Segment results	4,015	13,525	-	2,647	20,187
Other income					2,608
Unallocated costs					(13,784)
Finance expenses					(2,487)
Profit before income tax					6,525
Income tax expense					-
Profit for the period					6,525
Other segment information:					
Depreciation and amortisation					8,811
Capital expenditures					780

Note:

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Financial Period Ended 30 September 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	36,558	58,747	-	21,824	117,129
Segment results	7,995	19,646	-	3,572	31,213
Other income					1,171
Unallocated costs					(23,914)
Finance expenses					(4,918)
Profit before income tax					3,552
Income tax expense					-
Profit for the period					3,552
Other segment information:					
Depreciation and amortisation					14,953
Capital expenditures					-



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8. Segment information (continue)

	Financial Period Ended 30 September 2018				Total RM'000
	Ready-to-serve Food RM'000	Frozen Vegetables RM'000	Duck Farming RM'000	Others RM'000	
Revenue	22,015	35,377	-	13,143	70,535
Segment results	4,814	11,831	-	2,151	18,796
Other income					705
Unallocated costs					(14,401)
Finance expenses					(2,962)
Profit before income tax					2,138
Income tax expense					-
Profit for the period					2,138
Other segment information:					
Depreciation and amortisation					9,005
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 made an advance payment of RMB1.3 million for investment in non-current assets during FPE2019.



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13. Capital commitment

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

	RMB'000	RM'000
Construction of meat duck farms	52,720	30,999
Construction of Feedstock plant	30,000	17,640
RTS production plant	-	-

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

14. Significant related party transactions

Key management personnel compensation is analysed as follows:

	Individual Quarter		Cumulative Quarter	
	RMB'000	RM'000	RMB'000	RM'000
Salaries and other short-term employee benefits	74	44	222	131
Post employment benefits	-	-	-	-

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HB Global Limited

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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 decreased by RMB8.3 million or approximately 6.8% from RMB117.1 million in financial period ended 30 September 2018 (“FPE2018”) to RMB108.8 million in financial period ended 30 September 2019 (“FPE2019”). The decreased was mainly due to marginal decrease in demand on our frozen vegetable products through direct export.

Gross Profit (“GP”) margin increased from GP 26.6% for FPE2018 to GP 31.6% for FPE2019. This was mainly attributable to the depreciation of currency of Chinese Renminbi and better volume achieved for high GP margin products. Our products, Frozen Vegetable and Ready-To-Serve had shown an average increase in GP margin of 8.1% and 0.3% respectively in FPE2019, but other products had an average decrease of 3.4% GP margin as compared to FPE2018. Other operating income increased by RMB3.3 million in FPE2019 was mainly due to the reversal of provision of doubtful debts for a net amount of RMB3.8 million in FPE2019. First half of 2019 was a total reversal of RMB4.2 million and an additional provision of RMB0.4 million in current quarter.

Selling and distribution expenses decreased by RMB0.3 million to RMB1.3 million in FPE2019 was mainly due to the decrease in transportation cost of RMB0.6 million but offset by the increase of packing cost of RMB0.2 million and other cost. General and administration expenses increased by RMB0.3 million in FPE2019 was mainly due to increase in staff cost due to general increasing trend in salaries band but offset by the cost control in other areas. The Group achieved a net profit before taxation of RMB15.3 million in FPE2019 although this amount to include an amount of RMB3.7 million on reversal of provision of doubtful debts. These had shown an improvement in term of value as compared to FPE2018 and demonstrated that the management commitment towards improving the financial health of the Company.

Review of Balance Sheet

The Group did not carry out any major investment activities, except for minor investment of RMB 1.3 million in facilities and intellectual properties during FPE2019.

The Group’s policy is to keep the inventories level which are sufficient to fulfill demand of orders placed by customers. In FPE2019 the inventories were kept at RMB26.0 million as compared to FPE2018 at RMB15.3 million. The increase in inventories level was mainly due to the increase demand of our products in the coming month and required stock up of raw material for production purposes. Trade receivable decreased by RMB13.6 million from RMB67.2 million in FPE2018 to RMB53.6 million in FPE2019 due to improved local demand of our products during the quarter under review and more efficiency control on credit term management. Trade payables decreased by RMB13.5 million from RMB30.8 million in FPE2018 to RMB17.3 million in FPE2019 was mainly due to the tight credit control by suppliers and the policy of sourcing better pricing raw material by introducing low credit term suppliers with low price.

The short term borrowing of RMB83.2 million was mainly for working capital purposes as our short term loan are all renewable and rolled over upon expiry.

Review of Cash Flow Statement

Net cash generated in operating activities after working capital increased by RMB19.6 million was mainly due to the profit achieved and improvement in collection during the period under review.

Net cash used in investing activities of RMB1.3 million in FPE2019 was mainly due to the advance payment for new facilities and intellectual properties during the period. There were no new financing activities carried out during this period under review as all expired short term loan was roll over or renewed.



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2. Variation of results against immediate preceding quarter

	Current Quarter 30 September 2019		Preceding Quarter 30 June 2019	
	RMB'000	RM'000	RMB'000	RM'000
Revenue	35,028	20,597	36,735	22,092
Profit before taxation	543	606	1,515	911
Profit after taxation	543	606	1,515	911

The Group recorded revenue of RMB35.0 million in the current quarter, decreased by approximately RMB1.7 million or 4.6% from RMB36.7 million in the immediate preceding quarter due to the lower demand for our products from export market.

The profit before taxation and after taxation decreased in the current quarter is mainly due to decrease in revenue generated and the increase in general administrative expenses which include staff cost in the current quarter.

3. Prospects for FYE 2019

The Group had continued to show net profit for the current quarter FPE2019. The Group is poised to continue to perform well barring any unforeseen circumstances in the challenging global economy as the unclear imposition of new custom ruling of US, Europe and China. The Group continue to embark on capturing the local market and continue to work closely with its channel partners to putting more efforts in building the business surrounding profitable segments such as food processing segment and frozen vegetables.

4. Profit forecast

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

5. Income tax expenses

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

PRC Tax

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

Singapore tax

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

The effective tax rate of our Group for the current quarter and financial year-to-date was approximately (2.9%) as compared to the applicable tax rate of 25.0% due to permanent difference in the tax treatment of expenses that are not deductible under China tax.



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6. Sales of unquoted investment / properties

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

7. Purchase or disposal of quoted securities

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

8. Status of utilization of proceeds

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

9. Group's borrowings and debt securities

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

	RMB'000	RM'000
Loans – unsecured*	21,731	12,778
Short-term Loan – unsecured	-	-
Short-term Loan – secured®	83,170	48,904

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 September 2019 and 30 June 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	122,291	71,908	121,185	72,879
- Unrealised	(591)	(348)	(30)	(18)
Total Group Retained Earnings	121,700	71,560	121,115	72,861

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13. Earning per share

Basic Earning per Share

	Quarter Ended <u>30 Sep 2019</u> RMB'000	Preceding Year Corresponding Quarter <u>30 Sep 2018</u> RMB'000	Quarter Ended <u>30 Sep 2019</u> RM'000	Preceding Year Corresponding Quarter <u>30 Sep 2018</u> RM'000	Year to Date Ended <u>30 Sep 2019</u> RMB'000	Year to Date Ended <u>30 Sep 2018</u> RMB'000	Year to Date Ended <u>30 Sep 2019</u> RM'000	Year to Date Ended <u>30 Sep 2018</u> RM'000
Gain/(loss) attributable to - equity holders of the company	543	513	320	309	11,097	3,552	6,525	2,138
Weighted average number of ordinary share in issue ('000)	468,000	468,000	468,000	468,000	468,000	468,000	468,000	468,000
Earning Per Share - Basic (RMB cents/ sen)	0.12	0.11	0.07	0.07	2.37	0.76	1.39	0.46

By Order of the Board

SHEN HENGBAO
Chief Executive Officer