



恒宝环球

HB Global Limited

(Company Registration No.: 200608505W)

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR
THE FOURTH QUARTER ENDED 31 DECEMBER 2019

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	2019	2018	2019	2018	2019	2018	2019	2018
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Revenue	48,688	46,697	28,619	28,182	157,481	163,826	92,567	98,869
Cost of sales	(38,198)	(33,226)	(22,453)	(20,052)	(112,659)	(119,142)	(66,221)	(71,902)
Gross profit	10,489	13,471	6,166	8,130	44,822	44,684	26,346	26,967
Other operating income	2,452	23,639	1,441	14,266	9,166	24,692	5,388	14,902
Selling and distribution expenses	(744)	(816)	(437)	(492)	(2,075)	(2,399)	(1,220)	(1,448)
General and administrative expenses	(5,391)	(5,062)	(3,169)	(3,055)	(26,919)	(26,873)	(15,823)	(16,218)
Other operating expenses	(346)	(14,279)	(204)	(8,617)	(937)	(14,689)	(551)	(8,865)
Operating profit	6,460	16,953	3,797	10,232	24,057	25,415	14,140	15,338
Finance costs	(2,986)	(2,172)	(1,755)	(1,311)	(7,215)	(7,090)	(4,241)	(4,279)
Profit before taxation	3,474	14,781	2,042	8,921	16,842	18,325	9,899	11,059
Taxation	-	-	-	-	-	-	-	-
Profit after taxation	3,474	14,781	2,042	8,921	16,842	18,325	9,899	11,059
Other comprehensive income for the period (net of tax)	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) after tax	3,474	14,781	2,042	8,921	16,842	18,325	9,899	11,059



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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
	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	<u>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	3,474	14,781	2,042	8,921	16,842	18,325	9,899	11,059
-Non-controlling interest								
Total comprehensive income attributable to:-								
- Equity holders of HB	3,474	14,781	2,042	8,921	16,842	18,325	9,899	11,059
-Non-controlling interest								
Earning Per Share *								
- Basic (RMB cents/ sen)	0.74	3.16	0.44	1.91	3.60	3.92	2.12	2.36
- 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: RM0.5878 at 31 December 2019 and RMB1 : 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 FOURTH QUARTER ENDED 31 DECEMBER 2019

Condensed Consolidated Statements of Financial Positions

	Unaudited As at 31 Dec 2019	Audited As at 31 Dec 2018	Unaudited As at 31 Dec 2019	Audited As at 31 Dec 2018
	RMB'000	RMB'000	RM'000	RM'000
Non-Current Assets				
Property, plant and equipment	230,974	231,502	135,767	139,711
Construction in progress	49,602	42,080	29,156	25,395
Land use right	62,520	64,008	36,749	38,629
	343,096	337,590	201,672	203,735
Current Assets				
Inventories	10,802	15,309	6,350	9,239
Trade and other receivables	59,336	67,170	34,878	40,537
Prepayment for land use right	66,434	66,792	39,050	40,309
Cash and bank balance	1,574	108	925	65
	138,146	149,379	81,203	90,150
TOTAL ASSETS	481,242	486,969	282,875	293,885
Capital and Reserves				
Share capital	146,161	146,161	85,913	88,208
Reserve	67,483	67,483	39,667	40,726
Non-controlling interest	403	404	237	244
Retained profit	127,446	110,603	74,912	66,749
Total Equity	341,493	324,651	200,729	195,927
Non-Current Liabilities				
Borrowings	22,131	20,407	13,008	12,316
	22,131	20,407	13,008	12,316
Current Liabilities				
Trade and other payables	20,146	30,845	11,842	18,614
Income tax liabilities	-	-	-	-
Amount due to ex-shareholders	3,061	6,317	1,799	3,812
Amount due to directors	11,243	21,569	6,609	13,017
Short-term loan	83,170	83,180	48,887	50,199
	117,620	141,911	69,137	85,642
Total Liabilities	139,751	162,318	82,145	97,958
TOTAL EQUITY AND LIABILITIES	481,242	486,969	282,875	293,885
Net asset per share attributable to equity holders of the Company (RMB / RM) ⁽¹⁾	0.73	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 31 December 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: RM0.5878 at 31 December 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 FOURTH QUARTER ENDED 31 DECEMBER 2019

Unaudited Condensed Consolidated Statements Of Changes In Equity

12 months ended 31 December 2019	Share capital	Capital Reserves	Statutory reserves	Equity contribution reserves	Retained earnings	Non- controlling interest	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	146,161	(16,844)	76,090	8,237	110,603	404	324,651
Total comprehensive income for the period	-	-	-	-	16,841	-	16,481
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-
At 31 December 2019	<u>146,161</u>	<u>(16,844)</u>	<u>76,090</u>	<u>8,237</u>	<u>127,444</u>	<u>404</u>	<u>341,492</u>

12 months ended 31 December 2019	Share capital	Capital Reserves	Statutory Reserves	Fair value adjustments reserves	Retained earnings	Non- controlling interest	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2019	85,913	(9,901)	44,726	4,842	65,013	237	190,830
Total comprehensive income for the period	-	-	-	-	9,899	-	9,899
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-
At 31 December 2019	<u>85,913</u>	<u>(9,901)</u>	<u>44,726</u>	<u>4,842</u>	<u>74,912</u>	<u>237</u>	<u>200,729</u>

Note:

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THE FOURTH QUARTER ENDED 31 DECEMBER 2019

Unaudited Condensed Consolidated Statements Of Changes In Equity (continue)

12 months ended 31 December 2018	Share capital	Capital Reserves	Statutory reserves	Fair value adjustment s reserves	Retained earnings	Non- controlling interest	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	146,161	(16,844)	76,090	8,237	70,169	404	284,217
Total comprehensive income for the period	-	-	-	-	22,109	-	22,109
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-
At 31 December 2018	<u>146,161</u>	<u>(16,844)</u>	<u>76,090</u>	<u>8,237</u>	<u>92,278</u>	<u>404</u>	<u>306,326</u>

12 months ended 31 December 2018	Share capital	Capital Reserves	Statutory reserves	Fair value adjustment s reserves	Retained earnings	Non- controlling interest	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2018	91,058	(10,494)	47,404	5,132	43,715	252	177,067
Total comprehensive income for the period	-	-	-	-	13,774	-	13,774
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-
At 31 December 2018	<u>91,058</u>	<u>(10,494)</u>	<u>47,404</u>	<u>5,132</u>	<u>57,489</u>	<u>252</u>	<u>190,841</u>

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Unaudited Condensed Consolidated Statements Of Cash Flow

	As at 31 December 2019 RMB'000	As at 31 December 2018 RMB'000	As at 31 December 2019 RM'000	As at 31 December 2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before income tax	16,842	18,325	9,899	11,059
Adjustments for:				
Depreciation of property, plant and equipment	19,976	17,597	11,742	10,620
Amortisation of land use rights	-	1,354	-	817
Impairment loss on property, plant and equipment	-	4,415	-	2,664
Impairment loss on property, plant and equipment written back	-	(8,899)	-	(5,371)
Impairment loss on land use rights written back	-	(6,130)	-	(3,699)
Impairment loss on advance payments of land use rights written back	-	(6,913)	-	(4,172)
Impairment loss on trade receivables	(8,536)	10,274	(5,017)	6,200
Reversal of inventory written off	-	(319)	-	(193)
Loss on disposal of property, plant and equipment	94	-	55	-
Interest expense	7,215	7,090	4,241	4,279
Unrealised foreign exchange loss/(gain)	714	753	420	454
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	36,305	37,547	21,340	22,658
In inventories	4,507	(7,238)	2,649	(4,368)
In trade and other receivables	7,834	(16,900)	4,604	(10,199)
In trade and other payables	(10,699)	(8,713)	(6,288)	(5,258)
Cash from operations	37,947	4,696	22,305	2,833
Interest received	-	-	-	-
Net cash generated from operating activities	37,947	4,696	22,305	2,833
CASH FLOWS FROM INVESTING ACTIVITIES				
Addition of property, plant and equipment and payment for CIP	(17,390)	(2,008)	(10,222)	(1,212)
Addition of intangible assets	(8)	-	(5)	-
Net cash used in investing activities	(17,398)	(2,008)	(10,227)	(1,212)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from /(repayment of) borrowings from directors	(8,602)	734	(5,056)	443
(Repayment of)/borrow from shareholders	(3,256)	-	(1,914)	-
(Repayment of)/proceeds from bank loans	(10)	2,580	(6)	1,557
Interest expense	(7,215)	(6,295)	(4,241)	(3,799)
Net cash used in financing activities	(19,083)	(2,981)	(11,217)	(1,799)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	1,466	(293)	862	(177)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	108	401	64	242
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	1,574	108	926	65

Note:

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A. SELECTED EXPLANATORY NOTES TO THE UNAUDITED FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 subsidiary made up to the end of the financial year.

The Group was formed as a result of the restructuring exercise undertaken on 25 September 2009 for the purpose of the Company’s listing on the main market of the Bursa Malaysia Securities Berhad. The acquisition of 100% equity in the subsidiary, namely Rizhao Hengbao Foodstuffs Co., Ltd pursuant to the restructuring exercise under common control has been accounted for using the pooling-of-interest method. Under the pooling-of-interest method, the consolidated financial statements of the Group have been presented as if the Group structure immediately after the restructuring has been in existence since the earliest financial year presented. The assets and liabilities were brought into the consolidated statement of financial position at their existing carrying amounts. The pooling-of-interest method will continue to be used for the entities in existence up to the Group’s reorganization exercise.

All inter-company balances and significant inter-company transactions and resulting unrealized profits and losses are eliminated on consolidation and the consolidated financial statements reflect external transactions and balances only. The results of subsidiaries acquired or disposed of during the financial year are included or excluded from the consolidated statement of comprehensive income from the effective date in which control is transferred to the Group or in which control ceases, respectively.



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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 31 December 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	47,784	78,867	-	30,830	157,481
Segment results	9,553	29,442	-	5,827	44,822
Other income					9,166
Unallocated costs					(29,931)
Finance expenses					(7,215)
Profit before income tax					16,842
Income tax expense					-
Profit for the period					16,842
Other segment information:					
Depreciation and amortisation					19,976
Capital expenditures					17,398

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8. Segment information (continue)

Financial Period Ended 31 December 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	28,087	46,358	-	18,121	92,567
Segment results	5,615	17,306	-	3,424	26,346
Other income					5,388
Unallocated costs					(17,593)
Finance expenses					(4,241)
Profit before income tax					9,899
Income tax expense					-
Profit for the period					9,899
Other segment information:					
Depreciation and amortisation					11,742
Capital expenditures					10,226

Note:

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Financial Period Ended 31 December 2018					
	<u>Ready-to- serve Food</u> RMB'000	<u>Frozen Vegetables</u> RMB'000	<u>Duck Farming</u> RMB'000	<u>Others</u> RMB'000	<u>Total</u> RMB'000
Revenue	52,493	85,061	-	26,272	163,826
Segment results	12,759	29,504	-	2,421	44,684
Other income					24,810
Unallocated costs					(44,071)
Finance expenses					(7,090)
Profit before income tax					18,333
Income tax expense					-
Profit for the period					18,333
Other segment information:					
Depreciation and amortisation					18,947
Capital expenditures					2,008



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8. Segment information (continue)

	<u>Financial Period Ended 31 December 2018</u>				<u>Total</u> RM'000
	<u>Ready-to-serve Food</u> RM'000	<u>Frozen Vegetables</u> RM'000	<u>Duck Farming</u> RM'000	<u>Others</u> RM'000	
Revenue	31,680	51,334	-	15,855	98,869
Segment results	7,700	17,806	-	1,461	26,967
Other income					14,973
Unallocated costs					(26,597)
Finance expenses					(4,279)
Profit before income tax					11,064
Income tax expense					-
Profit for the period					11,064
Other segment information:					
Depreciation and amortisation					11,435
Capital expenditures					1,212

Note:

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9. Subsequent events

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

10. Changes in the composition of the Group

There is no changes in the composition of the Group.

11. Contingent liability or assets

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

12. Non-current assets

The Group acquired additional non-current assets of total RMB17.4 million, consist of property, plant and equipment, construction in progress facilities.



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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	30,989
Construction of Feedstock plant	30,000	17,634

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	43	296	174
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 decreased by RMB6.3 million or approximately 3.8% from RMB163.8 million in financial year ended 31 December 2018 (“FYE2018”) to RMB157.5 million in financial year ended 31 December 2019 (“FYE2019”). The decrease was mainly due to the slightly decrease in sales of RTS and Frozen Vegetable products.

The Group’s Gross Profit (“GP”) margin increase from 27.3% in FYE2018 to 28.5% in FYE2019. This was mainly attributable to the increase GP margin of our Frozen Vegetable products. Our products, Frozen Vegetable had shown increased in GP margin of 2.6% in FYE2019, Ready-To-Serve products had shown decreased of 4.3% GP margin and others products had shown a sharp increase from 9.2% in FYE2018 to 18.9% in FYE2019. Frozen spring roll records a revenues of RMB29.8 million which represent 96.7% of total other products revenues achieved. Other operating income decreased to RMB9.2 million in FYE2019 was mainly attributable to the reversal of impairment loss of PPE, inventories, land use right and prepayment for land use right for an amount of RMB22.3 million in FYE2018 and there was no impairment and or reversal on these assets in FYE2019. The reversal of provision of doubtful debts of RMB8.5 million and rental income of RMB0.6 million form the total other income of FYE2019.

Selling and distribution expenses decreased by RMB0.3 million to RMB2.1 million in FYE2019 was mainly due to the decrease in transportation cost. General and administration expenses increased by RMB0.7 million in FYE2019 was mainly due to increase in employment/staff cost. Although the net profit before taxation shown RMB18.3 million in FYE2018 which higher than FYE2019 but this profit mainly contribute by the reversal of impairment in non-current assets and compensate by the provision of doubtful debts of RM10.2 million in FYE2018. The contribution of the Group net profit before taxation of RMB16.8 million in FYE2019 were other incomes of RMB9.2 million which comprise RMB8.5 million from the reversal of provision of doubtful debts and the balance of operating income of RMB7.6 million shown an improvement in operation as compared to FYE2018, these had demonstrated the management commitment towards improving the financial health of the Company.

Other operating expenses in FYE2019 was mainly the foreign exchange translation losses hence shown decreased by RMB14.4 million and these were mainly due to the RMB4.3 million impairments of assets and RMB10.2 million provision of doubtful debts according to new International Financial Reporting Standard ruling to make such provision in FYE2018.

The decrease in net profit after taxation from RMB18.3 million in FYE2018 to RMB16.8 million in FYE2019 was the result of the above explanations during the financial year.

Review of Balance Sheet

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

The decrease in inventories of RMB4.5 million as at FYE2019 was mainly to the lesser demand of our products for coming month which due to the Chinese New Year fall in January 2020. The Group’s policy is to keep the inventories level which are sufficient to fulfill demand of orders placed by customers. Trade receivables decreased by RMB7.8 million from RMB67.2 million in FYE2018 to RMB59.3 million in FYE2019 was mainly due to the tight control of credit term granted and effective collection during year end. Trade and other payables sharply decreased from RMB31.9million in FYE2018 to RMB20.1 million in FYE2019 was mainly due to the pricing strategies and shorter credit terms granted by suppliers. The effect of the pricing strategies by suppliers from early payment or shorter credit terms were better costing and sourcing plan for production.



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Due to the impact of trade war, economic slow down and the outbreak of swine fever, the Peoples' Government had initiated a financial assistance to special categories of industries such as food industries to avert any possible financial crises in the near future. One of the subsidiaries fulfill certain criteria and had under negotiation with Rizhao Peoples' Government and local authorities for getting these financial assistance hence there was only minor movement of short term bank loan in FYE2019.

Review of Cash Flow Statement

Net cash generated in operating activities increased in FYE2019 by approximately RMB33.2 million was mainly due to the increase of GP margin of our products, the prompt repayment period to trade and other receivable and low level of inventories keeping at year end.

Net cash used in investing activities increased RMB17.4 million in FYE2019 were additional storage facilities acquired to meet the growing volume in our frozen vegetable products.

2. Variation of results against immediate preceding quarter

	Current Quarter 31 December 2019		Preceding Quarter 30 September 2019	
	RMB'000	RM'000	RMB'000	RM'000
Revenue	48,688	28,618	35,028	20,597
Profit before taxation	3,474	2,042	543	606
Profit after taxation	3,474	2,042	543	606

The Group recorded revenue of RMB48.7million in the current quarter, increased by approximately RMB13.7 million or 39.1% from RMB35.0 million in the immediate preceding quarter due to the improved local demand for our frozen vegetable products and RTS products that ultimately exported.

The increase in profit before taxation and after taxation is mainly due to the increase in revenue generated and reversal of provision of doubtful debts for the current quarter.

3. Prospects for FYE 2020

The management of the Group had delivered a steady performance since FYE2017 ever since it embarked on its own self-rescue plan without any reliance on external parties when it undertook drastic measures in cessation of the duck farming segment since July 2016.

The new challenges were coming in FY2020, despite the trade war, economic slowdown and swine fever in FYE2019, the outbreak of Wuhan Corona Virus in early FY2020 will surely another heavy impact on company performances. These factors will surely affect the whole world economic growth and international trade during these outbreak period and after, management expected the effect will continue till early FY2021.

Management will focus on surviving instead of expanding in these period.

4. Profit forecast

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



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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 Nil as compared to the applicable tax rate of 25.0% due to permanent difference in the tax treatment of expenses that are not deductible under China tax.

6. Sales of unquoted investment / properties

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

7. Purchase or disposal of quoted securities

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

8. Status of utilization of proceeds

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

9. Group's borrowings and debt securities

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

	RMB'000	RM'000
Loans – unsecured*	30,600	17,987
Short-term Loan – unsecured	-	-
Short-term Loan – secured [®]	83,170	48,887

Loans – unsecured*

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

Short-term Loan – secured[®]

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

Due to the impact of trade war between China and USA, economic slowdown in china and outbreak of swine fever, the Peoples's Government had initiated a financial assistance to special category of business such as food industry's company to avert any possible financial crises in the near future. One of the subsidiary had entered into



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this arrangement with Xing Ye Bank Co. Ltd, Rizhao Branch and also endorsed by the Court on the pledging of its properties and two guarantors provided for this special financial assistance.

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

Due to the impact of trade war between China and USA, economic slowdown in china and outbreak of swine fever, the Peoples's Government had initiated a financial assistance to special category of business such as food industry's company to avert any possible financial crises in the near future. One of the subsidiary had entered into this arrangement with Xing Ye Bank Co. Ltd, Rizhao Branch and also endorsed by the Court on the pledging of its properties and two guarantors provided for an amount of RMB14.4 million to apply this special financial assistance. This subsidiary also negotiated with other banks for this special financial assistance on its current borrowing and may needed further endorsement by the Court in near future.

12. Realised and Unrealised Profit/Losses Disclosure

The retained earnings as at 31 December 2019 and 30 September 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	128,160	75,332	125,046	73,527
- Unrealised	(714)	(420)	(591)	(348)
Total Group Retained Earnings	127,446	74,912	124,455	73,179

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13. Earning per share

Basic Earning per Share

	Quarter Ended <u>31 Dec 2019</u>	Preceding Year Corresponding Quarter <u>31 Dec 2018</u>	Quarter Ended <u>31 Dec 2019</u>	Preceding Year Corresponding Quarter <u>31 Dec 2018</u>	Year to Date Ended <u>31 Dec 2019</u>	Year to Date Ended <u>31 Dec 2018</u>	Year to Date Ended <u>31 Dec 2019</u>	Year to Date Ended <u>31 Dec 2018</u>
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Profit/(loss) attributable to - equity holders of the company	3,474	14,781	2,042	8,921	16,842	18,325	9,899	11,059
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)	0.74	3.16	0.44	1.91	3.60	3.92	2.12	2.36

By Order of the Board

SHEN HENGBAO
Chief Executive Officer