



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 2020

Contents

Unaudited Condensed Consolidated Statements Of Comprehensive Income

Condensed Consolidated Statements Of Financial Position

Unaudited Condensed Consolidated Statements Of Changes in Equity

Unaudited Condensed Consolidated Statements Of Cash Flow

Notes to the Interim Financial Report

Additional information



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020

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 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Revenue	21,679	36,735	13,127	22,092	36,262	73,765	21,956	44,362
Cost of sales	(20,520)	(24,423)	(12,425)	(14,688)	(32,484)	(50,888)	(19,669)	(30,604)
Gross profit	1,159	12,312	702	7,404	3,778	22,877	2,288	13,758
Other operating income	3,335	30	2,019	18	395	4,914	239	2,955
Selling and distribution expenses	(308)	(389)	(186)	(234)	(490)	(905)	(297)	(544)
General and administrative expenses	(5,661)	(6,746)	(3,428)	(4,057)	(12,615)	(13,641)	(7,638)	(8,209)
Other operating expenses	(586)	(2,365)	(355)	(1,422)	(2,856)	(30)	(1,730)	(18)
Operating profit	(2,062)	2,842	(1,248)	1,709	(11,789)	13,215	(7,138)	7,942
Finance costs	(1,089)	(1,327)	(659)	(798)	(2,162)	(2,663)	(1,309)	(1,601)
Profit before taxation	(3,151)	1,515	(1,907)	911	(13,951)	10,552	(8,447)	6,341
Taxation	-	-	-	-	-	-	-	-
Profit after taxation	(3,151)	1,515	(1,907)	911	(13,951)	10,552	(8,447)	6,341
Other comprehensive income for the period (net of tax)	-	-	-	-	-	-	-	-
Total comprehensive income after tax	(3,151)	1,515	(1,907)	911	(13,951)	10,552	(8,447)	6,341



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020

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 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Profit attributable to:-								
- Equity holders of HB	(3,151)	1,515	(1,907)	911	(13,951)	10,552	(8,447)	6,341
-Non-controlling interest	-	-	-	-	-	-	-	-
Total comprehensive income attributable to:-								
- Equity holders of HB	(3,151)	1,515	(1,907)	911	(13,951)	10,552	(8,447)	6,341
-Non-controlling interest	-	-	-	-	-	-	-	-
Earning Per Share *								
- Basic (RMB cents/ sen)	(0.67)	0.32	(0.41)	0.19	(2.98)	2.25	(1.80)	1.35
- 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 2020 and : RM0.6092 at 30 June 2019 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 2020

Condensed Consolidated Statements of Financial Positions

	Unaudited As at 30 June 2020	Audited As at 31 Dec 2019	Unaudited As at 30 June 2020	Audited As at 31 Dec 2019
	RMB'000	RMB'000	RM'000	RM'000
<u>Non-Current Assets</u>				
Property, plant and equipment	222,828	230,974	134,930	135,767
Construction in progress	49,976	49,602	30,263	29,156
Land use right	61,765	62,512	37,401	36,745
	334,569	343,089	202,594	201,668
<u>Current Assets</u>				
Inventories	18,560	10,802	11,239	6,350
Trade and other receivables	36,535	59,336	22,123	34,878
Prepayment for land use right	66,250	66,434	40,117	39,050
Cash and bank balance	238	1,574	144	925
	121,583	138,146	73,623	81,202
TOTAL ASSETS	456,152	481,235	276,217	282,870
<u>Capital and Reserves</u>				
Share capital	146,161	146,161	88,505	85,913
Reserves	67,483	67,483	40,864	39,666
Retained earnings	113,487	127,438	68,721	74,908
Non-controlling interest	403	403	244	237
Total Equity	327,534	341,484	198,334	200,725
<u>Non-Current Liabilities</u>				
Borrowings	21,401	20,977	12,960	12,330
	21,401	20,977	12,960	12,330
<u>Current Liabilities</u>				
Trade and other payables	10,946	19,115	6,628	11,236
Income tax liabilities	-	-	-	-
Amount due to ex-shareholder	3,061	3,061	1,853	1,799
Amount due to director	10,140	13,429	6,140	7,893
Short-term loan	83,070	83,170	50,302	48,887
	107,217	118,774	64,932	69,815
Total Liabilities	128,618	139,751	77,883	82,146
TOTAL EQUITY AND LIABILITIES	456,152	481,235	276,217	282,870
Net asset per share attributable to equity holders of the Company (RMB / RM) ⁽¹⁾	0.70	0.73	0.42	0.43

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 2020 and 31 December 2019 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:RM1: RM0.6055 at 30 June 2020 and 1: RM0.5878 at 31 December 2019 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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(Malaysian Foreign Company Registration No.: 995221-H)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR
THE SECOND QUARTER ENDED 30 JUNE 2020

Unaudited Condensed Consolidated Statements Of Changes In Equity

6 months ended 30 June 2020	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 2020	146,161	76,090	(16,844)	8,237	127,437	403	341,485
Total comprehensive income for the period	-	-	-	-	(13,951)	-	(13,951)
At 30 June 2020	<u>146,161</u>	<u>76,090</u>	<u>(16,844)</u>	<u>8,237</u>	<u>113,486</u>	<u>404</u>	<u>327,534</u>

6 months ended 30 June 2020	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 2020	88,505	46,073	(10,199)	4,988	77,168	244	206,781
Total comprehensive income for the period	-	-	-	-	(8,447)	-	(8,447)
At 30 June 2020	<u>88,505</u>	<u>46,073</u>	<u>(10,199)</u>	<u>4,988</u>	<u>68,721</u>	<u>244</u>	<u>198,334</u>

Note:

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020

Unaudited Condensed Consolidated Statements Of Changes In Equity (continue)

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	Non-controlling 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:

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020

Unaudited Condensed Consolidated Statements Of Cash Flow

	As at 30 June 2020	As at 30 June 2019	As at 30 June 2020	As at 30 June 2019
	RMB'000	RMB'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before income tax	(13,951)	10,552	(8,447)	6,341
Adjustments for:				
Depreciation	8,952	9,990	5,421	6,010
Reversal of impairment loss on trade receivables	2,856	(4,227)	1,729	(2,540)
Property, plant and equipment written off	-	94	-	57
Unrealised foreign exchange loss/(gain)	(221)	30	(134)	18
Interest expense	2,162	2,663	1,309	1,602
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	(201)	19,102	(122)	911,488
Inventories	(7,758)	(9,503)	(4,697)	(5,715)
Trade and other receivables	20,128	17,937	12,188	10,787
Trade and other payables	(8,112)	(8,221)	(4,912)	(4,944)
Net cash generated from operations	<u>4,507</u>	<u>19,315</u>	<u>2,457</u>	<u>11,616</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(431)	(320)	(261)	(192)
Purchase of land use rights	-	(12)	-	(7)
Net cash used in investing activities	<u>(431)</u>	<u>(332)</u>	<u>(261)</u>	<u>(199)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings from directors	(3,260)	(12,529)	(1,974)	(7,535)
Repayment to ex-shareholder	-	(1,832)	-	(1,102)
Repayment of Bank loans	(100)	-	(61)	-
Interest paid	(1,602)	(2,663)	(970)	(1,602)
Net cash (used in)/generated from financing activities	<u>(4,962)</u>	<u>(17,024)</u>	<u>(3,004)</u>	<u>(10,239)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(1,336)	1,959	(809)	1,178
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	1,574	108	953	65
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	238	2,067	144	1,243

Note:

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020

A. SELECTED EXPLANATORY NOTES TO THE UNAUDITED FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2020

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 2019 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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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020

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 2019 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 2019 ("FS 2019") 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:

"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 FY2019. 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 2019.

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

The Coronavirus (Covid-19) outbreak was identified in Wuhan, China in December 2019. The World Health Organisation ("WHO") has declared the outbreak a Public Health Emergency of International Concern on 30 January 2020 and subsequently WHO declared the Covid-19 outbreak as global pandemic on 11 March 2020.

China Government has on February 2020 imposed lockdown on Wuhan and in a later stage throughout the whole country. Following the WHO's declaration, Malaysia Government also on 16 March 2020 imposed the Movement Control Order ("MCO") starting from 18 March 2020 to restrain the spread of Covid-19 outbreak in Malaysia. The emergence of the Covid-19 outbreak since early 2020 has brought economic uncertainties in the whole world and markets in which the Group and the Company operate.

In view of the uncertainty of the macro-economic conditions, the Group is unable to reasonably quantify the related financial effects for the period ended 31 March 2020 to be disclosed in current quarterly results. The Group will continuously monitor and to take appropriate and timely measures to minimise any impact of the outbreak that might arises.



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020

5. Changes in estimates

There were no material changes in estimates for the current quarter and financial year-to-date.

6. Changes in share capital and debts

There were no issuance, cancellations, repurchase, resale and repayment of debt and equity securities, share buy backs, share cancellation, shares held as treasury share and resale of treasure shares for the current financial year to date.

7. Dividends

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

8. Segment information

Financial Year Ended 30 June 2020					
	<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	17,422	10,279	-	8,560	36,262
Segment results	1,903	966	-	909	3,778
Other income					395
Unallocated costs					(15,962)
Finance expenses					(2,162)
Profit before income tax					(13,951)
Income tax expense					-
Profit for the period					(13,951)
Other segment information:					
Depreciation and amortisation					8,952
Capital expenditures					431

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020

8. Segment information (continue)

Financial Period Ended 30 June 2020					
	<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	10,549	6,224	-	5,183	21,956
Segment results	1,152	585	-	550	2,288
Other income					239
Unallocated costs					(9,665)
Finance expenses					(1,309)
Profit before income tax					(8,447)
Income tax expense					-
Profit for the period					(8,447)
Other segment information:					
Depreciation and amortisation					5,421
Capital expenditures					261

Note:

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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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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020

8. Segment information (continue)

<u>Financial Year Ended 30 June 2019</u>					
	<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:

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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 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 made a payment of RMB0.4 million for Construction in Progress during the quarter under review.



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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020

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	31,922
Construction of feedstock plant	30,000	18,165
Construction of production factory	278	168

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	192	116	380	230
Post employment benefits	-	-	-	-

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020

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 decreased by RMB37.5 million or approximately 50.8% from RMB73.8 million in financial period ended 30 June 2019 ("FPE2019") to RMB36.3 million in financial period ended 30 June 2020 ("FPE2020"). The decrease was mainly due to the sharp decrease in demand volume of our products mix required by customers during this emergence of the Covid-19 outbreak since early 2020.

Gross Profit ("GP") margin slightly increased from 31.0% for FPE2019 to 10.4% for FPE2020. This was mainly attributable to the low production volume and revenue generated. Other operating income decreased by RMB4.5 million in FPE2020 was mainly due to the reversal of provision of doubtful debts for a net amount of RMB4.2 million in FPE2019. The composition of other income mainly unrealized foreign exchange gains of RMB0.2 million and rental income of RMB0.2 million from duck farming facilities.

Selling and distribution expenses had shown slight decrease of RMB0.4 million compared against FPE2019 was mainly due to the decrease in transportation charges. General and administration expenses decreased by RMB1.0 million in FPE2020 was mainly due to slow resumption of operation during this volatile periods. Other operating expense increased RMB2.8 million was mainly due to the increase in provision of doubtful debts in FPE2020. The Group achieved net loss before taxation of RMB14.0 million in FPE2020 as compared to RMB10.6 million profit before taxation in FPE2019 was mainly due to the low Revenue and Gross profit margin achieved for this period.

Review of Balance Sheet

There is minor addition of RMB0.4 million on property, plant and equipment for the current quarter which was contracted in FYE2019. Management had plan to stop further investment in PPE except previous contracted.

The increase in inventories from RMB7.8 million to RMB18.6 million in FPE2020 was mainly due to decrease in orders placed by customers and control movement during this periods. Trade and other receivables decreased by RMB22.8 million in FPE2020 mainly due to lower revenue achieved and reasonable collection during periods under reviews. Trade payables decreased from RMB19.1 in FYE2019 to RMB10.9 million in FPE2020 which was in line with low demand or orders in this periods and new productions plans for our products in next quarter.

The increase in non-current borrowing of RMB0.5 million was mainly the interest accrued for the period on this loan.

Review of Cash Flow Statement

Net cash generated from operating activities decreased by RMB38.9 million from RMB42.9 million in FPE2019 to RMB4.0 million in FPE2020. The decrease was mainly due to the sharp decreased in revenue generation, low GP margin and high fixed costs of this period.

There were minor payment of RMB0.4 million for construction in progress during the period under review. Net cash of RMB5.0 million used in financing activities was mainly due to the repayment of director advances and interest accrued during quarter review.



HB Global Limited
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**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR
 THE SECOND QUARTER ENDED 30 JUNE 2020**

2. Variation of results against immediate preceding quarter

	Current Quarter 30 June 2020		Preceding Quarter 31 Mar 2020	
	RMB'000	RM'000	RMB'000	RM'000
Revenue	21,679	13,127	14,583	8,798
Profit Before Taxation	(3,151)	(1,908)	(10,800)	(6,516)
Profit After Taxation	(3,151)	(1,908)	(10,800)	(6,516)

The Group recorded revenue of RMB21.7 million in the current quarter, which was increased by RMB7.1 million or 48.6% from RMB14.6 million in the immediate preceding quarter due to the impact of COVID19 to having total lockdown from February 2020 to now having a control movement during the quarter review.

The Group shown a decrease of RMB7.6 million in losses before taxation and losses after taxation as compared to preceding quarter was mainly due to achieved higher turnover and an amount of RMB3.3 million reversal of provision of doubtful debts in current quarter as compared to previous quarter having an additional provision of doubtful debts of RMB6.2 million.

3. Prospects for FYE 2020

With the outbreak of corona virus in late 2019 and 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 management is now focus on survival and hope that the second and third wave of virus infections would not badly hit the whole world economies and positive development on the vaccine for the corona virus in the near future.

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.



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 2020

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

6. Sales of unquoted investment / properties

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

7. Purchase or disposal of quoted securities

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

8. Status of 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 2020 were as follows:

	RMB'000	RM'000
Loans – unsecured*	21,401	12,960
Short-term Loan – unsecured	-	-
Short-term Loan – secured [®]	83,070	50,302

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.

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 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



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020

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 need further endorsement by the Court in near future.

12. Realised and Unrealised Profit/Losses Disclosure

The retained earnings as at 30 June 2020 and 31 March 2020 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	113,708	68,854	117,618	70,959
- Unrealised	(221)	(134)	(981)	(592)
Total Group Retained Earnings	113,487	68,720	116,637	70,367



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR
THE SECOND QUARTER ENDED 30 JUNE 2020

13. Earning per share

Basic Earning per Share

	Quarter Ended <u>30 Jun 2020</u> RMB'000	Preceding Year Corresponding Quarter <u>30 Jun 2018</u> RMB'000	Quarter Ended <u>30 Jun 2020</u> RM'000	Preceding Year Corresponding Quarter <u>30 Jun 2018</u> RM'000	Year to Date Ended <u>30 Jun 2020</u> RMB'000	Year to Date Ended <u>30 Jun 2018</u> RMB'000	Year to Date Ended <u>30 Jun 2020</u> RM'000	Year to Date Ended <u>30 Jun 2018</u> RM'000
Profit attributable to - equity holders of the company	(3,151)	1,515	(1,907)	911	(13,951)	10,552	(8,447)	6,341
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)	(0.67)	0.32	(0.41)	0.19	(2.98)	2.25	(1.80)	1.35

By Order of the Board

SHEN HENGBAO
Chief Executive Officer