



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 2020

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Revenue	32,844	48,688	20,055	28,619	97,880	157,481	59,763	92,567
Cost of sales	(39,325)	(38,198)	(24,012)	(22,453)	(97,200)	(112,659)	(59,348)	(66,221)
Gross profit	(6,481)	10,489	(3,957)	6,166	680	44,822	415	26,346
Other income	37,770	2,452	23,062	1,441	45,566	9,166	27,821	5,388
Selling and distribution expenses	(438)	(744)	(267)	(437)	(1,193)	(2,075)	(728)	(1,220)
General and administrative expenses	(8,964)	(5,391)	(5,473)	(3,169)	(27,055)	(27,865)	(16,520)	(16,376)
Other operating expenses	(44,246)	(346)	(27,017)	(204)	(58,912)	-	(35,970)	-
Operating (loss)/profit	(22,359)	6,460	(13,652)	3,797	(40,914)	24,048	(24,982)	14,138
Finance costs	(1,125)	(2,986)	(687)	(1,755)	(4,377)	(7,215)	(2,672)	(4,241)
(Loss)/Profit before taxation	(23,484)	3,474	(14,339)	2,042	(45,291)	16,833	(27,654)	9,897
Taxation	-	-	-	-	-	-	-	-
(Loss)/Profit after taxation	(23,484)	3,474	(14,339)	2,042	(45,291)	16,833	(27,654)	9,897
Other comprehensive income for the period (net of tax)	-	-	-	--	-	-	-	-
Total comprehensive (loss)/income after tax	(23,484)	3,474	(14,339)	2,042	(45,291)	16,833	(27,654)	9,897



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Unaudited Condensed Consolidated Statement of Comprehensive Income (continue)

	Quarter Ended	Preceding Year Corresponding Quarter	Quarter Ended	Preceding Year Corresponding Quarter	Year to Date Ended	Year to Date Ended	Year to Date Ended	Year to Date Ended
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
(Loss)/Profit attributable to:-								
- Equity holders of HB	(23,484)	3,474	(14,339)	2,042	(45,291)	16,833	(27,654)	9,897
- Non-controlling interest								
Total comprehensive income attributable to:-								
- Equity holders of HB	(23,484)	3,474	(14,339)	2,042	(45,291)	16,833	(27,654)	9,897
- Non-controlling interest								
Earnings Per Share *								
- Basic (RMB cents/ sen)	(5.02)	0.74	(3.06)	0.44	(9.68)	3.60	(5.91)	2.11
- 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: RM0.6106 at 31 December 2020 and RMB1: 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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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2020

Condensed Consolidated Statements of Financial Position

	Unaudited As at 31 Dec 2020	Audited As at 31 Dec 2019	Unaudited As at 31 Dec 2020	Audited As at 31 Dec 2019
	RMB'000	RMB'000	RM'000	RM'000
Non-Current Assets				
Property, plant and equipment	202,880	230,975	123,873	135,767
Construction in progress	7,696	49,602	4,699	29,156
Land use right	74,596	62,512	45,546	36,745
	285,172	343,089	174,118	201,668
Current Assets				
Inventories	9,823	10,802	5,998	6,350
Trade and other receivables	47,242	59,336	28,844	34,878
Prepayment for land use right	77,340	66,434	47,221	39,050
Cash and bank balance	182	1,574	111	925
	134,587	138,146	82,174	81,203
TOTAL ASSETS	419,759	481,235	256,292	282,871
Capital and Reserves				
Share capital	146,161	146,161	89,243	85,913
Reserve	59,246	67,483	36,173	39,667
Retained earnings	90,384	127,437	55,184	74,910
Non-controlling interest	-	403	-	237
Total Equity	295,791	341,484	180,600	200,727
Non-Current Liability				
Borrowings	20,017	20,976	12,222	12,330
	20,017	20,976	12,222	12,330
Current Liabilities				
Trade and other payables	19,342	19,115	11,810	11,235
Amount due to shareholder	3,276	-	2,000	-
Amount due to ex-shareholder	-	3,061	-	1,799
Amount due to director	12,772	13,429	7,799	7,893
Short-term loan	68,561	83,170	41,861	48,887
	103,951	118,775	63,470	69,814
Total Liabilities	123,968	139,751	75,692	82,144
TOTAL EQUITY AND LIABILITIES	419,759	481,235	256,292	282,871
Net asset per share attributable to equity holders of the Company (RMB / RM) ⁽¹⁾	0.63	0.73	0.39	0.43

Notes:

- (1) The net assets per share attributable to equity holders of the Company is computed based on the net assets as at 31 December 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: RM0.6106 at 31 December 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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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2020

Unaudited Condensed Consolidated Statements of Changes in Equity

12 months ended 31 December 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	341,484
Disposal of controlling interest in subsidiaries	-	-	-	-	-	(403)	(403)
Derecognised of equity contribution reserve	-	-	-	(8,237)	8,237	-	-
Total comprehensive income/ (loss) for the year	-	-	-	-	(45,291)	-	(45,291)
At 31 December 2020	<u>146,161</u>	<u>76,090</u>	<u>(16,844)</u>	<u>-</u>	<u>90,384</u>	<u>-</u>	<u>295,791</u>

12 months ended 31 December 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	89,242	46,459	(10,285)	5,025	77,813	237	208,491
Disposal of controlling interest in subsidiaries	-	-	-	-	-	(237)	(237)
Derecognised of equity contribution reserve	-	-	-	(5,025)	5,025	-	-
Total comprehensive income/ (loss) for the year	-	-	-	-	(27,654)	-	(27,654)
At 31 December 2020	<u>89,242</u>	<u>46,459</u>	<u>(10,285)</u>	<u>-</u>	<u>55,184</u>	<u>-</u>	<u>180,600</u>



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THE FOURTH QUARTER ENDED 31 DECEMBER 2020

Note:

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2020

Unaudited Condensed Consolidated Statements of Changes in Equity (continue)

12 months ended 31 December 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 year	-	-	-	-	16,834	(1)	16,833
At 31 December 2019	<u>146,161</u>	<u>76,090</u>	<u>(16,844)</u>	<u>8,237</u>	<u>127,437</u>	<u>403</u>	<u>341,484</u>

12 months ended 31 December 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	85,913	44,726	(9,901)	4,842	65,013	237	190,830
Total comprehensive income for the year	-	-	-	-	9,897	-	9,897
At 31 December 2019	<u>85,913</u>	<u>44,726</u>	<u>(9,901)</u>	<u>4,842</u>	<u>74,910</u>	<u>237</u>	<u>200,727</u>

Note:

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2020

Unaudited Condensed Consolidated Statements of Cash Flow

	As at 31 December 2020	As at 31 December 2019	As at 31 December 2020	As at 31 December 2019
	RMB'000	RMB'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/Profit before income tax	(45,291)	16,833	(27,654)	9,897
Adjustments for:				
Depreciation and amortisation	17,211	18,031	10,509	10,598
Impairment loss on property, plant and equipment	1,867	-	1,140	-
Impairment loss on property, plant and equipment, land use right and prepayment for land use right written back	(27,868)	-	(17,016)	-
Impairment loss on inventories	691	-	422	-
Income of waiver from bank borrowing	(14,400)	-	(8,792)	-
Interest income	(345)	-	(210)	-
Interest expense	4,377	7,215	2,672	4,241
Loss on disposal of subsidiaries	(29)	-	(18)	-
Reversal of impairment loss on trade receivables	(1,557)	(8,536)	(951)	(5,018)
Property, plant and equipment and construction in progress written off	56,353	-	34,407	-
Unrealised foreign exchange (gain)/loss	(1,245)	936	(760)	550
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	(10,236)	34,479	(6,251)	20,268
Changes in working capital				
Inventories	287	4,507	175	2,649
Trade and other receivables	13,458	16,728	8,220	9,833
Trade and other payables	717	(12,829)	438	(7,541)
Net cash generated from operating activities	4,226	42,885	2,582	25,209
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property, plant and equipment and payment for construction-in-progress	(735)	(23,530)	(449)	(13,831)
Net cash used in investing activities	(735)	(23,530)	(449)	(13,831)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment to director	(4,686)	(8,319)	(2,862)	(4,890)
Advance from shareholder	3,276	-	2,000	-
Repayment to ex-shareholder	-	(3,478)	-	(2,045)
Repayment of loan	(209)	(1,040)	(128)	(611)
Interest expense	(3,264)	(5,052)	(1,993)	(2,970)
Net cash used in financing activities	(4,883)	(17,889)	(2,983)	(10,516)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,392)	1,466	(850)	862
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	1,574	108	961	63
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	182	1,574	111	925

Note:

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2020

A. SELECTED EXPLANATORY NOTES TO THE UNAUDITED FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 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 Shandong Hengbao Foodstuffs Co., Ltd. (formerly known as 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.



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1. Basis of preparation (continue)

c) *Basis of consolidation (continue)*

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.

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 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.



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4. Unusual items (continue)

In view of the uncertainty of the macro-economic conditions, the Group is unable to reasonably quantify the related financial effects for the year ended 31 December 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.

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

7. Dividends

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

8. Segment information

	Financial Year Ended 31 December 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	44,863	29,818	-	23,199	97,880
Segment results	4,586	(3,723)	-	(183)	680
Other income					45,566
Unallocated costs					(87,160)
Finance costs					(4,377)
Loss before taxation					(45,291)
Income tax expense					-
Loss for the financial year					(45,291)
Other segment information:					
Depreciation and amortisation					17,211
Capital expenditures					735

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8. Segment information (continue)

Financial Year Ended 31 December 2020					
	<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	27,392	18,206	-	14,165	59,763
Segment results	2,800	(2,273)	-	(112)	415
Other income					27,821
Unallocated costs					(53,218)
Finance costs					(2,672)
Loss before taxation					(27,654)
Income tax expense					-
Loss for the period					(27,654)
Other segment information:					
Depreciation and amortisation					10,509
Capital expenditures					449

Note:

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Financial Year Ended 31 December 2019					
	<u>Ready-to-serve Food</u>	<u>Frozen Vegetables</u>	<u>Duck Farming</u>	<u>Others</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	47,664	78,933	-	30,884	157,481
Segment results	9,616	29,997	-	5,209	44,822
Other income					9,166
Unallocated costs					(29,940)
Finance costs					(7,215)
Profit before taxation					16,833
Income tax expense					-
Profit for the period					16,833
Other segment information:					
Depreciation and amortisation					18,031
Capital expenditures					23,530



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8. Segment information (continue)

	Financial Year 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	28,017	46,397	-	18,154	92,567
Segment results	5,652	17,632	-	3,062	26,346
Other income					5,388
Unallocated costs					(17,596)
Finance costs					(4,241)
Profit before taxation					9,897
Income tax expense					-
Profit for the period					9,897
Other segment information:					
Depreciation and amortisation					10,598
Capital expenditures					13,831

Note:

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9. Material events subsequent to the end of the current financial quarter

Saves as disclosed below, there were no other material events subsequent to the end of the current financial quarter that have not been reflected in this interim financial report.

On 22 January 2021, the Board announced that the Company wishes to undertake a proposed private placement of up to 93,600,000 shares in HB, representing 20% of the issued shares in HB to independent investor(s) to be identified at a later date.

10. Changes in the composition of the Group

Saved as disclosed below, there were no material changes in the composition of the Group for the current financial quarter under review.

- (i) On 20 December 2020, the Company's wholly-owned subsidiary company, Shandong Hengbao Foodstuffs Co., Ltd. has disposed 90% equity interest held on Juxian Wan Hui Food Co., Ltd for a total consideration of RMB1,800,000.
- (ii) On 20 December 2020, the Company's wholly-owned subsidiary company, Shandong Hengbao Foodstuffs Co., Ltd. has disposed 90% equity interest held on Juxian Houz Best Food Co., Ltd for a total consideration of RMB1,800,000.



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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 RMB0.3 million for purchase of non-current assets during the quarter under review.

13. Capital commitment

There were no material commitments as at the date of this report.

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	165	80	726	443
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 decreased by RMB59.6 million or approximately 37.8% from RMB157.5 million in financial year ended 31 December 2019 (“FYE2019”) to RMB97.9 million in financial year ended 31 December 2020 (“FYE2020”). The decreased was mainly due to decrease in demand on products during the Covid-19 outbreak since early 2020.

Gross Profit (“GP”) decreased from RMB44.8 million in FYE2019 to RMB0.7 million in FYE 2020. GP margin decreased from 28.5% in FYE2019 to 0.7% in FYE2020. This was mainly due to lower production volume and higher cost of raw materials and transportation.

Due to the impact of Covid-19 outbreak, the People's Republic of China Government had initiated financial assistance to special categories of industries such as food industries to avert any possible financial crises in the near future. As such, one of our subsidiary companies has obtained waiver from bank borrowing amounted RMB14.4 million which caused increase in other income for FYE2020.

Selling and distribution expenses decreased by RMB0.9 million or approximately 42.9% from RMB2.1 million in FYE2019 to RMB1.2 million in FYE2020 which is in line with decrease in revenue.

General and administration expenses remain relatively constant at RMB27.1 million in FYE2020 as compared to RMB27.9 million in FYE2019. The general and administrative expenses mainly consist of depreciation of property, plant and equipment and amortisation of land use rights, land tax and employee salaries which accounted 34.0%, 23.2% and 14.7% of total general and administrative expenses in FYE2020.

Other operating expenses increased by RMB58.9 million in FYE2020 which represented 100.0% from FYE2019 mainly due to written off of property, plant and equipment and construction in progress as there is no such expense in FYE2019.

The Group achieved a net loss before taxation of RMB45.3 million in FYE2020 as compared to profit before taxation of RMB16.8 million in FYE2019 mainly due to written off of property, plant and equipment and low revenue generated in FYE2020 as a result of Covid-19 outbreak.

Review of Financial Position

The decrease in non-current assets amounted RMB57.9 million or approximately 25.1% from RMB343.1 million in FYE2019 to RMB285.2 million in FYE2020 was mainly contributed by the written off of property, plant and equipment and construction in progress. On top of that, the Group did not carry out any major investment activities during FYE2020, except for addition of RMB0.7 million in property, plant and equipment and construction in progress.

The decrease in current assets amounted RMB3.6 million from RMB138.1 million in FYE2019 to RMB134.6 million in FYE2020 was mainly contributed by the trade and other receivables. Trade and other receivables decreased by RMB12.1 million or approximately 20.4% from RMB59.3 million in FYE2019 to RMB47.2 million in FYE2020 was mainly due to lower revenue generated and reasonable collection during FYE2020.

The decrease in current liabilities amounted RMB14.9 million or approximately 12.5% from RMB118.8 million in FYE2019 to RMB103.9 million in FYE2020 was mainly due to waiver of one of the bank loan which amounted RMB14.4 million.



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1. Review of the performance of the Group (continue)

Review of Cash Flow Statement

Net cash generated from operating activities has decreased by RMB38.7 million or approximately 90.2% from RMB42.9 million in FYE2019 to RMB4.2 million in FYE2020 was mainly due to the significant decrease in revenue generated in FYE2020.

Net cash used in investing activities has decreased by RMB22.8 million or approximately 97.0% from RMB23.5 million in FYE2019 to RMB0.7 million in FYE2020 million as the management decided to reduce the capital expenditure, to keep cash for working capital purpose during Covid-19 outbreak

Net cash used in financing activities has decreased by RMB13.0 million or approximately 72.6% from RMB17.9 million in FYE2019 to RMB4.9 million in FYE2020 million was mainly due to an advance from shareholder as well as lesser repayments to director and interest expense incurred during FYE2020.

2. Variation of results against immediate preceding quarter

	Current Quarter 31 December 2020		Preceding Quarter 30 September 2020	
	RMB'000	RM'000	RMB'000	RM'000
Revenue	32,844	20,055	28,774	17,429
Loss before taxation	(23,484)	(14,339)	(7,858)	(4,759)
Loss after taxation	(23,484)	(14,339)	(7,858)	(4,759)

The Group recorded revenue of RMB32.8 million in the current quarter, increased by approximately RMB4.0 million or 13.9% from RMB28.8 million in the immediate preceding quarter mainly due to increased local demand for our products as part of a recovery since Covid-19 outbreak.

The loss before taxation and after taxation increased in the current quarter was mainly due to written off of property, plant and equipment and construction in progress.

3. Prospects for FYE 2021

With the Covid-19 pandemic still raging globally and causing unprecedented disruption to economic activity, the Group continues to prioritise cash conservation and cost control as well as to continue to focus on increase the consumption of our products among consumers in People's Republic of China.

Besides, sustainability remains a top priority for the Group. Our Group will stay agile and keep the interests of our consumers and safety of our people at the forefront.

The performance of our Group for the new financial year ending 2021 will remain challenging with the current uncertainty in the global and local economy due to the Covid-19 pandemic. However, the Board is cautious on the potential impact of the Covid-19 pandemic and will continue to manage the business of our Group with vigilance during this period of uncertainty.

If this unprecedented health and economic crisis can be improved in the near term with the vaccination, our Group expects that the performance of our Group will also be improved for the financial year ending 31 December 2021.



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4. Profit forecast

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

5. Income tax expenses

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

PRC Tax

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

Singapore tax

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

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

6. Sales of unquoted investment / properties

Saved as disclosed below, there were no sales of unquoted investment of the Group for the current financial quarter under review.

- (i) On 20 December 2020, the Company's wholly-owned subsidiary company, Shandong Hengbao Foodstuffs Co., Ltd. has disposed 90% equity interest held on Juxian Wan Hui Food Co., Ltd for a total consideration of RMB1,800,000.
- (ii) On 20 December 2020, the Company's wholly-owned subsidiary company, Shandong Hengbao Foodstuffs Co., Ltd. has disposed 90% equity interest held on Juxian Houz Best Food Co., Ltd for a total consideration of RMB1,800,000.

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.



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9. Group's borrowings and debt securities

The Group's borrowings and debt securities as of 31 December 2020 were as follows:

	RMB'000	RM'000
Loans – unsecured*	20,017	12,222
Short-term Loan – unsecured	-	-
Short-term Loan – secured [@]	68,561	41,861

Loans – unsecured*

On 31 December 2018, the Company has 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% p.a. 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 RMB68.6 million loans 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 People's Republic of China 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 company 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 company 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 (2) guarantors provided for an amount of RMB14.4 million in order to apply this special financial assistance. During current financial quarter, the said subsidiary company has successfully applied the special financial assistance and obtained waiver on bank borrowing.

The said subsidiary company is 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.



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12. Realised and unrealised profit/losses disclosure

The retained earnings as at 31 December 2020 and 30 September 2020 are analysed as below:

	Current Quarter		Preceding Quarter	
	RMB'000	RM'000	RMB'000	RM'000
Total retained earnings of the Company and its subsidiaries:				
- Realised	89,139	54,424	105,126	64,188
- Unrealised	1,245	760	503	307
Total group retained earnings	90,384	55,184	105,629	64,495

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13. Earnings per share

Basic earnings per share

	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 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
(Loss)/Gain attributable to equity holders of HB	(23,484)	3,474	(14,339)	2,042	(45,291)	16,833	(27,654)	9,897
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)	(5.02)	0.74	(3.06)	0.44	(9.68)	3.60	(5.91)	2.11

By Order of the Board

SHEN HENGBAO
Chief Executive Officer