



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 2021

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2021

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 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Revenue	34,381	21,679	22,097	13,127	59,698	36,262	38,368	21,956
Cost of sales	(24,237)	(20,520)	(15,577)	(12,425)	(46,526)	(32,484)	(29,902)	(19,669)
Gross profit	10,144	1,159	6,520	702	13,172	3,778	8,466	2,288
Other operating income	7,799	3,335	5,012	2,019	18,507	395	11,894	239
Selling and distribution expenses	(134)	(308)	(86)	(186)	(264)	(490)	(170)	(297)
General and administrative expenses	(7,983)	(5,661)	(5,131)	(3,428)	(13,952)	(12,615)	(8,967)	(7,638)
Other operating expenses	-	(586)	-	(355)	-	(2,856)	-	(1,730)
Operating profit/(loss)	9,826	(2,062)	6,315	(1,248)	17,463	(11,789)	11,223	(7,138)
Finance costs	(951)	(1,089)	(611)	(659)	(1,880)	(2,162)	(1,208)	(1,309)
Profit/(loss) before taxation	8,875	(3,151)	5,704	(1,907)	15,583	(13,951)	10,015	(8,447)
Taxation	-	-	-	-	-	-	-	-
Profit/(loss) after taxation	8,875	(3,151)	5,704	(1,907)	15,583	(13,951)	10,015	(8,447)
Other comprehensive income for the period (net of tax)	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) after tax	8,875	(3,151)	5,704	(1,907)	15,583	(13,951)	10,015	(8,447)



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Unaudited Condensed Consolidated Statement Of Comprehensive Income (continue)

	Quarter Ended	Preceding Year Corresponding Quarter	Quarter Ended	Preceding Year Corresponding Quarter	Year to Date Ended	Year to Date Ended	Year to Date Ended	Year to Date Ended
	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Profit/(loss) attributable to:-								
- Equity holders of HB	9,106	(3,151)	5,853	(1,907)	15,844	(13,951)	10,183	(8,447)
-Non-controlling interest	(231)	-	(149)	-	(261)	-	(168)	-
Total comprehensive income/(loss) attributable to:-								
- Equity holders of HB	9,106	(3,151)	5,853	(1,907)	15,844	(13,951)	10,183	(8,447)
-Non-controlling interest	(231)	-	(149)	-	(261)	-	(168)	-
Earning Per Share *								
- Basic (RMB cents/ sen)	1.76	(0.67)	1.13	(0.41)	3.06	(2.98)	1.97	(1.80)
- 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: RM0.6427 at 30 June 2021 and : RM0.6014 at 30 June 2020 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 2021

Condensed Consolidated Statements of Financial Positions

	Unaudited As at 30 June 2021	Audited As at 31 Dec 2020	Unaudited As at 30 June 2021	Audited As at 31 Dec 2020
	RMB'000	RMB'000	RM'000	RM'000
<u>Non-Current Assets</u>				
Property, plant and equipment	203,622	202,881	130,868	123,879
Construction in progress	-	7,696	-	4,699
Land use right	73,686	74,596	47,358	45,548
	277,308	285,173	178,226	174,126
<u>Current Assets</u>				
Inventories	18,708	9,823	12,024	5,998
Trade and other receivables	49,357	47,242	31,722	28,846
Prepayment for land use right	77,340	77,340	49,706	47,224
Cash and bank balance	19,586	182	12,588	111
	164,991	134,587	106,040	82,179
TOTAL ASSETS	442,299	419,760	284,266	256,305
<u>Capital and Reserves</u>				
Share capital	173,490	146,161	111,502	89,246
Reserves	58,985	59,246	37,910	36,176
Retained earnings	106,228	90,384	68,273	55,188
Non-controlling interest	-	-	-	-
Total Equity	338,703	295,791	217,685	180,610
<u>Current Liabilities</u>				
Trade and other payables	17,641	19,342	11,338	11,810
Amount due to shareholder	3,112	3,276	2,000	2,000
Amount due to directors	14,282	32,790	9,179	20,022
Short-term loan	68,561	68,561	44,064	41,863
	103,596	103,951	66,581	75,695
Total Liabilities	103,596	123,969	66,581	75,695
TOTAL EQUITY AND LIABILITIES	442,299	419,760	284,266	256,305
Net asset per share attributable to equity holders of the Company (RMB / RM) ⁽¹⁾	0.60	0.63	0.39	0.39

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 2021 and 31 December 2020 divided by the number of ordinary shares of 561,600,000 and 468,000,000 respectively.
- (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: RM0.6427 at 30 June 2021 and 1: RM0.6106 at 31 December 2020 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 2021

Unaudited Condensed Consolidated Statements Of Changes In Equity

6 months ended 30 June 2021	Share capital	Statutory reserves	Capital reserves	Retained earnings	Non-controlling interest	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	146,161	76,090	(16,844)	90,384	-	295,791
Total comprehensive income for the period	-	-	-	15,844	(261)	15,583
Issue of new ordinary shares	27,329	-	-	-	-	27,329
Acquisition of additional shares in subsidiaries	-	-	(261)	-	261	-
At 30 June 2021	<u>173,490</u>	<u>76,090</u>	<u>(17,105)</u>	<u>106,228</u>	<u>-</u>	<u>338,703</u>

6 months ended 30 June 2021	Share capital	Statutory reserves	Capital reserves	Retained earnings	Minority interest	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2021	93,938	48,903	(10,825)	58,090	-	190,106
Total comprehensive income for the period	-	-	-	10,183	(168)	10,015
Issue of new ordinary shares	17,564	-	-	-	-	17,564
Acquisition of additional shares in subsidiaries	-	-	(168)	-	168	-
At 30 June 2021	<u>111,502</u>	<u>48,903</u>	<u>(10,993)</u>	<u>68,273</u>	<u>-</u>	<u>217,685</u>



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Unaudited Condensed Consolidated Statements Of Changes In Equity (continue)

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 loss 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>403</u>	<u>327,534</u>

6 months ended 30 June 2020	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 2020	88,505	46,073	(10,199)	4,988	77,168	244	206,781
Total comprehensive loss 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:

- (1) The financial statements are presented in Renminbi ("RMB") and translated into Ringgit Malaysia ("RM") for information purposes and reference at the exchange rate of RMB1: RM0.6427 at 30 June 2021 and : RM0.6055 at 30 June 2020 with comparatives is shown for illustration purpose. This translation should not be construed as a representation that RMB amounts actually represented have been or could be converted in RM at this or any other rate.



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Unaudited Condensed Consolidated Statements Of Cash Flow

	As at 30 June 2021	As at 30 June 2020	As at 30 June 2021	As at 30 June 2020
	RMB'000	RMB'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before income tax	15,583	(13,951)	10,015	(8,447)
Adjustments for:				
Depreciation and amortisation	7,984	8,952	5,131	5,421
Reversal of impairment loss on trade receivables	-	2,856	-	1,729
Income from waiver on loan principal and interest related to loan from a director	(17,649)	-	(11,343)	-
Income from waiver of director fee	(316)	-	(203)	-
Unrealised foreign exchange gain	(741)	(221)	(476)	(134)
Interest expense	1,880	2,162	1,208	1,309
OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES	6,741	(201)	4,332	(122)
Inventories	(8,885)	(7,758)	(5,710)	(4,697)
Trade and other receivables	(2,094)	20,128	(1,346)	12,188
Trade and other payables	(1,458)	(8,112)	(937)	(4,912)
Net cash (used in)/generated from operations	(5,696)	4,507	(3,661)	2,457
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(119)	(431)	(76)	(261)
Net cash used in investing activities	(119)	(431)	(76)	(261)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings from directors	-	(3,260)	-	(1,974)
Repayment of bank loans	-	(100)	-	(61)
Fixed deposit pledged	(311)	-	(200)	-
Proceeds from issuance of new ordinary shares	27,329	-	17,565	-
Interest paid	(1,880)	(1,602)	(1,208)	(970)
Net cash generated from/(used in) financing activities	25,138	(4,962)	16,157	(3,004)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	19,323	(1,336)	12,420	(809)
Effect of exchange rate changes	(230)	-	(148)	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	182	1,574	117	953
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	19,275	238	12,389	144

Note:

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2021

A. SELECTED EXPLANATORY NOTES TO THE UNAUDITED FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2021

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 2020 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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c) *Basis of consolidation (continue)*

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 2020 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 2020 ("FS 2020") 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 FY2020. 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 2020.

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.

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 30 June 2021 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 arise.



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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

On 26 March 2021, the Company had issued 93,600,000 ordinary shares at the price of RM0.185 via private placement.

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

7. Dividends

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

8. Segment information

Financial Period Ended 30 June 2021					
	<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	27,350	23,959	-	8,389	59,698
Segment results	3,020	9,902	-	250	13,172
Other income					18,507
Unallocated costs					(14,216)
Finance expenses					(1,880)
Profit before income tax					15,583
Income tax expense					-
Profit for the period					15,583
Other segment information:					
Depreciation and amortisation					7,984
Capital expenditures					119

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8. Segment information (continue)

Financial Period Ended 30 June 2021					
	<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	17,578	15,398	-	5,392	38,368
Segment results	1,941	6,364	-	161	8,466
Other income					11,894
Unallocated costs					(9,137)
Finance expenses					(1,208)
Profit before income tax					10,015
Income tax expense					-
Profit for the period					10,015
Other segment information:					
Depreciation and amortisation					5,131
Capital expenditures					76

Note:

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Financial Period 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)
Loss before income tax					(13,951)
Income tax expense					-
Loss for the period					(13,951)
Other segment information:					
Depreciation and amortisation					8,952
Capital expenditures					431



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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)
Loss before income tax					(8,447)
Income tax expense					-
Loss for the period					(8,447)
Other segment information:					
Depreciation and amortisation					5,421
Capital expenditures					261

Note:

- (1) The financial statements are presented in Renminbi ("RMB") and translated into Ringgit Malaysia ("RM") for information purposes and reference at the exchange rate of RMB1: RM0.6055 at 30 June 2020 are shown for illustration purpose. This translation should not be construed as a representation that RMB amounts actually represented have been or could be converted in RM at this or any other rate.

9. Subsequent events

Save as disclosed below, there were no material subsequent events as at the date of this announcement:

- i. The Company had on 1 April 2021 entered into a conditional share sale agreement with Lean Kock Kiang and Lee Sek Ang for the proposed acquisition of 600,000 ordinary shares in Forward Resources and Construction Sdn Bhd (FRCSB), representing 60% equity interest in FRCSB. On 12 July 2021, Mercury Securities on behalf of the Company's Board announced that the acquisition of FRCSB had been completed in accordance with the terms of the Shares Sale Agreement following the listing of and quotation for 208,413,740 Consideration Shares on the Main Market of Bursa Securities on that date. As such, FRCSB became a 60% owned subsidiary of the Company.

10. Changes in the composition of the Group

Save as disclosed below, there were no material changes in the composition of the Group:-

- i. On 17 February 2021, the Company had incorporated a 70% owned subsidiary, Biztech Utopia Sdn Bhd, with a shares subscription of 700 shares at RM1 each. On 11 May 2021, Biztech Utopia Sdn Bhd became 100% owned subsidiary after the Company acquired the remaining 30% shares from other shareholder.
- ii. On 27 February 2021, the Company had incorporated a 70% owned subsidiary, Welltech Utopia Sdn Bhd, with a shares subscription of 700 shares at RM1 each. On 11 May 2021, Welltech Utopia Sdn Bhd became 100% owned subsidiary after the Company acquired the remaining 30% shares from other shareholder.
- iii. On 2 March 2021, the Company had incorporated a 100% owned subsidiary, SLH Global Sdn Bhd, with a shares subscription of 1000 shares at RM1 each.



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10. Changes in the composition of the Group (continue)

- iv. On 11 March 2021, the Company had incorporated a 100% owned subsidiary, HB Global Capital Sdn Bhd, with a shares subscription of 1000 shares at RM1 each.
- v. On 7 April 2021, the Company had incorporated a 100% owned subsidiary, SLH Universe Sdn Bhd, with a shares subscription of 1000 shares at RM1 each.
- vi. On 8 April 2021, the Company had incorporated a 100% owned subsidiary, SLH Group Capital Sdn Bhd, with a shares subscription of 1000 shares at RM1 each.
- vii. On 25 May 2021, the Company's subsidiary, SLH Global Sdn Bhd, had incorporated a 100% owned subsidiary, Alphaverse Sdn Bhd, with a shares subscription of 1000 shares at RM1 each.
- viii. On 17 June 2021, the Company's subsidiary, SLH Global Sdn Bhd, had incorporated a 100% owned subsidiary, SLH Infra Sdn Bhd, with a share subscription of 1,000 shares at RM1 each.

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 were no material acquisition or disposal of non-current assets during the current financial quarter and financial year-to-date.

13. Capital commitment

There were no material capital commitment during the current financial quarter and financial year-to-date.

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	302	194	497	317
Post employment benefits	-	-	-	-

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B. INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD UNDER LISTING REQUIREMENTS

1. Review of the performance of the Group

Review of Group Comprehensive Income

The Group's revenue increased by RMB23.4 million from RMB36.3 million in financial period ended 30 June 2020 ("FPE2020") to RMB59.7 million in financial period ended 30 June 2021 ("FPE2021"). The increase was mainly due to increase in global and local demand amidst improvement in Covid 19 pandemic situation and more countries relaxing their cross border control.

Gross Profit ("GP") margin increased from 10.4% for FPE2020 to 22.1% for FPE2021. This was mainly due to higher demand which lead to higher selling price on certain products. Increase in other income was mainly due to waiver of principal and interest on loan from a Director amounted to approximately RMB17.6 million.

General and administrative expenses increased from RMB12.6 million to RMB13.9 million mainly due to more subsidiaries in Malaysia commenced operation in FPE2021. The Group recorded net profit before taxation of RMB15.6 million in FPE2021 compared to loss of RMB13.9 million mainly due to higher revenue and other income generated in FPE2021.

Review of Balance Sheet

Increase in PPE is mainly due to the completion of construction in progress amounted to RMB7.7 million transferred to PPE. Inventories increased to RM18.7 million from RM9.8 million mainly due to higher demand of products and thus require more raw materials for production use. Cash and bank balance stood at RM19.6 million in FPE2021 compared to RM0.2 million in FPE2020 mainly due to proceeds received from issuance of new shares via private placement. Decrease in amount due to directors in FPE2021 compared to FPE2020 was mainly due to waiver of principal and interest on loan from a director.

Review of Cash Flow Statement

Net cash used in operating activities was RMB5.7 million compared to net cash generated from operating activities of RMB3.7 million in FPE2020. The decrease in cash was mainly due to higher inventories and more repayment of trade and other payables in FPE2021.

The increase in cash and cash equivalents at FPE 2021 was mainly due to proceeds received from issuance of shares via private placement.

2. Variation of results against immediate preceding quarter

	Current Quarter 30 June 2021		Preceding Quarter 31 Mar 2021	
	RMB'000	RM'000	RMB'000	RM'000
Revenue	34,381	22,097	25,317	15,998
Profit Before Taxation	8,875	5,704	6,708	4,240
Profit After Taxation	8,875	5,704	6,708	4,240



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The Group recorded revenue of RMB34.4 million in the current quarter, which increased by RMB9.1 million compared to RMB25.3 million in the immediate preceding quarter due to the improving market condition amidst improvement in Covid 19 pandemic situation and more countries relaxing their cross border control.

The Group recorded an increase in profit after tax in current quarter which was RMB8.9 compared to RMB6.7 million in the preceding quarter. This was mainly due to stronger sales and higher margin generated in the current quarter.

3. Prospects for FYE 2021

The outbreak of corona virus in late 2019 which had paralysed many industries and global economy as many countries imposed lockdown to contain the corona virus. The impact can be clearly seen in terms of revenue and gross profit generated amid the challenging global economic outlook. The management is now focus on survival and hope that as each country re-open its economy especially where the goods are mostly exported will improve revenue. The Group is also looking to venture into other high growth sectors to increase revenue and profit.

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%.

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.



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8. Status of utilisation of proceeds

During the current financial period, ordinary shares of 93,600,000 has been issued at an issuing price of RM0.185 on 26 March 2021 via private placement.

Utilization of the proceeds as of 30 June 2021 were as follows:

	RMB'000	RM'000
Proceeds from issuance of shares via private placement	27,329	17,564
Expenses for private placement	(581)	(373)
Working capital	(5,162)	(3,318)
Business projects/investments	(2,000)	(1,285)
Balance @ 30.6.2021	19,586	12,588

9. Group's borrowings and debt securities

The Group's borrowings and debt securities as of 30 June 2021 were as follows:

	RMB'000	RM'000
Loans – unsecured*		
Short-term Loan – unsecured	4,090	2,629
Short-term Loan – secured®	68,561	44,064

Loans – unsecured*

On 31 December 2018, the company (HB Global Ltd) entered into a loan agreement with Mr 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.

During Q1 2021, the loan was reduced to SGD2.46 million (approximately RMB11.94 million) due to an agreement obtained from Mr Shen Hengbao to waive the loan amount of SGD1.6 million. There is also an agreement with Mr Shen Hengbao to waive all the interest charged and chargeable on the loan.

During Q2 2021, there is a further waiver on the loan amount of SGD1.6 million as per agreement, and the loan was reduced to SGD0.86 million (approximately RMB4.09 million).

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. Amount outstanding as of 30 June 2021 was RMB68.56 million.

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.



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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

There were no material litigation for the current financial quarter and financial year to date.

12. Realised and Unrealised Profit/Losses Disclosure

The retained earnings as at 30 June 2021 and 31 March 2021 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	105,487	67,797	96,726	61,121
- Unrealised	741	476	396	251
Total Group Retained Earnings	106,228	68,273	97,122	61,372

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13. Earning per share

Basic Earning per Share

	Quarter Ended <u>30 Jun 2021</u>	Preceding Year Corresponding Quarter <u>30 Jun 2020</u>	Quarter Ended <u>30 Jun 2021</u>	Preceding Year Corresponding Quarter <u>30 Jun 2020</u>	Year to Date Ended <u>30 Jun 2021</u>	Year to Date Ended <u>30 Jun 2020</u>	Year to Date Ended <u>30 Jun 2021</u>	Year to Date Ended <u>30 Jun 2020</u>
	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Profit attributable to - equity holders of the company	9,106	(3,151)	5,853	(1,907)	15,844	(13,951)	10,183	(8,447)
Weighted average number of ordinary share in issue ('000)	518,161	468,000	518,161	468,000	518,161	468,000	518,161	468,000
Earning Per Share - Basic (cents/ sen)	1.76	(0.67)	1.13	(0.41)	3.06	(2.98)	1.97	(1.80)

By Order of the Board

SHEN HENGBAO
Chief Executive Officer