



*HB Global Limited*

恒宝环球

**HB GLOBAL LIMITED**



**ANNUAL REPORT 2020**

(Company Registration No.:200608505W)

(Incorporated in Singapore under the Companies Act (Chapter 50) of Singapore)

[Malaysian Foreign Company Registration No.: 200902000048 (995221-H)]

(Registered as a foreign company in Malaysia under the Companies Act, 1965 of Malaysia)

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## BOARD OF DIRECTORS

Keh Chuan Seng (郭泉成主席)  
Non-Independent Non-Executive Chairman  
(appointed on 10 February 2021)

Lee Ping Wei (李彬维)  
Executive Director (appointed on 8 February 2021)

Shen Hengbao (申恒宝)  
Chief Executive Officer

Dato' Chow Chin Kiat (拿督邹正杰)  
Executive Director (appointed on 1 October 2020)

Yang Chin Shen (杨景升)  
Independent Non-Executive Director

Ho Pui Hold (何沛豪)  
Independent Non-Executive Director

Khoo Chee Siang (邱業勝)  
Independent Non-Executive Director  
(appointed on 2 September 2020)

### Audit Committee

Yang Chin Shen (杨景升) – Chairman  
(Independent Non-Executive Director)

Ho Pui Hold (何沛豪) – Member  
(Independent Non-Executive Director)

Khoo Chee Siang (邱業勝) – Member  
(Independent Non-Executive Director)

### Nomination Committee

Ho Pui Hold (何沛豪) – Chairman  
(Independent Non-Executive Director)

Yang Chin Shen (杨景升) – Member  
(Independent Non-Executive Director)

Khoo Chee Siang (邱業勝) – Member  
(Independent Non-Executive Director)

### Remuneration Committee

Lee Ping Wei (李彬维) – Chairman  
(Executive Director) (appointed on 14 April 2021)

Ho Pui Hold (何沛豪) – Member  
(Independent Non-Executive Director)

Yang Chin Shen (杨景升) – Member  
(Independent Non-Executive Director)

### Company Secretary

Ong Tian Soon  
(FA 20122993) Filling Agent under Section 28F of the  
ACRA Act 2014

### Agent in Malaysia

Boardroom.com Sdn Bhd  
Level 5, Block B, Dataran PHB,  
Saujana Resort, Section U2,  
40150 Shah Alam, Selangor

### Registered Office in Singapore

80 Robinson Road, #17-02  
Singapore 068898 Republic of Singapore  
Telephone No.: + 65 6222 8008

### Registered Office in Malaysia

Level 5, Block B  
Dataran PHB, Saujana Resort, Section U2,  
40150 Shah Alam, Selangor  
Telephone No.: + 6(03) 7890 0638  
Facsimile No.: + 6 (03) 7890 1032

### Stock Exchange Listing

Main Market of Bursa Malaysia Securities Berhad  
(Listed since 17 December 2010)  
Stock name: HBGLOB  
Stock Code: 5187  
Website : [www.hbglob.com](http://www.hbglob.com)

### Head Office

6<sup>th</sup> Floor, VIDA Bukit Ceylon  
1D, Jalan Ceylon,  
Bukit Ceylon  
50200 Kuala Lumpur  
Telephone No.: + 6 (03) 2733 3388  
Email: [contact@hbglob.com](mailto:contact@hbglob.com)

Website: [www.hbglob.com](http://www.hbglob.com)

### Auditors

Messrs UHY Lee Seng Chan & Co.  
6001 Beach Road  
#14-01 Golden Mile Tower Singapore 199589  
Telephone No.: +65 6395 5100

### Share Registrar in Malaysia

Boardroom.com Sdn Bhd  
Level 5, Block B  
Dataran PHB, Saujana Resort, Section U2,  
40150 Shah Alam, Selangor  
Telephone No.: + 6 (03) 7890 0638  
Facsimile No.: + 6 (03) 7890 1032

### Principal Bankers

AmBank (M) Berhad  
55 Jalan Raja Chulan  
50200 Kuala Lumpur

China Construction Bank Corporation  
(Ju County Branch)  
No. 25, Zhenxin Road  
Ju County Shandong Province PRC

Industrial and Commercial Bank of China Limited  
(Ju County Branch)  
No. 102, Fulai Middle Road  
Ju County  
Shandong Province PRC



### **Keh Chuan Seng (Chairman)** (郭泉成主席)

Keh Chuan Seng, a Malaysian, male, aged 49, was appointed as Non-Independent and Non-Executive Chairman on 10 February 2021. He graduated with Sijil Rendah Pelajaran Malaysia in Sim Min Private School.

Mr. Keh is the founder and the Chairman of Frazel Group of Companies since 1991. He has 14 years of experiences in property development, hospitality, agriculture, asset investment and financing industry, both locally and overseas. Mr. Keh is also currently the Committee Member of Kedah Chinese Chamber of Commerce and Industry which he has built a strong business network with China through his 14 years of business experience.

He is now sit on the Board of EG Industries Berhad, Companies listed on Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

### **Lee Ping Wei** (李彬维)

Lee Ping Wei, a Malaysian, male, aged 31, was appointed as the Executive Director of HB Global Limited on 8 February 2021. He is the Chairman of Remuneration Committee since 14 April 2021. He has more than 10 years' experience in engineering, construction, property development, telecommunication, energy and utilities industries serving in various capacity as Project Director and Corporate Finance Director in China GLC listed companies. He is also the Director and Managing Director in several local IT, energy and utilities companies. He has managed and completed billions worth of highly claimed projects in China, Hong Kong and Malaysia.

Key achievements:

- > Hong Kong University,
- > Shenzhen Airport,
- > Zhuhai Utilities Project,
- > Penang Gurney Tower,
- > Langkawi cable car,
- > 25- storey Malaysia Assurance Alliance
- > 21-storey Oriental Bank Headquarter office building,
- > Museum Langkawi and many prominent projects.

He was the founder and director of C&M Renewable Energy Technology Sdn. Bhd. had successfully embarked many prominent projects in Malaysia, one of the famous projects was the solar photovoltaic system at USM Faculty of Engineering located on a parcel of land measuring approximately 364 acres in Nibong Tebal, Penang worth about RM90 Million. He has in-depth knowledge in corporate finance, engineering, construction, marketing and information technology. He holds a Diploma in E-Commerce and Marketing and graduated from Tunku Abdul Rahman University College.



## BOARD OF DIRECTORS' PROFILES (cont'd)

### Shen Hengbao (申恒宝)

Shen Hengbao, a national of the People's Republic of China ("PRC"), male, aged 59, was appointed as our Chief Executive Officer on 12 October 2009. He is the founder of our Group and has more than 25 years of experience in the PRC food industry and export business. He has been spearheading the expansion and growth of our Group since the commencement of our Group's business in 2005.

He graduated from Linyi Agricultural Academy in 1982 and obtained his Masters in Business Administration from the Graduate School of the Chinese Academy of Social Sciences in 1998. He also obtained his Masters in Business Administration from the California American University in 2001.

He started his career with Ju County Foreign Trade Company (莒县外贸公司) in 1982 as the head of department of livestock obstetrics. He joined Ju County Foreign Trade Canned Food Factory (莒县外贸罐头厂) as the factory manager in 1990 where he was put in-charge of the day-to-day management. In 1998, he joined Shandong Foodstuffs Import and Export Company (山东食品进出口公司), a provincial level state-owned enterprise based in Qingdao as deputy general manager in-charge of overseeing and assisting in the management of several state-owned companies in Shandong Province which were engaged in the manufacturing of foodstuffs for export markets, in particular, to Japan.

In 2005, he left Shandong Foodstuffs Import and Export Company and founded Rizhao Hengbao together with Meng Xiangzhen and several other individuals. With the sales network and contacts he had accumulated in the course of his career (in particular those with major Japanese food companies), he successfully grew Rizhao Hengbao into a well established food export company over a short time span.

### Dato' Chow Chin Kiat (拿督邹正杰)

Dato' Tom Chow, a Malaysian, male, aged 46, was appointed as Executive Director on 1 October 2020. He graduated in Sijil Pelajaran Malaysia at Sekolah Menengah Kebangsaan Taman Sea, Petaling Jaya, Selangor and studying at Southern University, Executive Master of Business Administration (EMBA).

Dato' Tom Chow, the Founder of AgroFresh International Group of Companies, he 14 years of experience was solely responsible for its dramatic rise in agriculture business, international fruits export market, and plantations management.

He was appointed as the Managing Director of TSL Agrofresh Sdn Bhd, TSLA is a subsidiary of the TSLAW Group of companies. Responsible for the management of the TSLAW group's agricultural planting and production.

He is currently involved in the worldwide sales and marketing of tropical fruits to ASEAN countries. Dato' Tom Chow represents a group of companies involved in the production of R&D, tissue-culture, nursery, plantation, packaging, trading, wholesaling of bananas, and other local tropical fruits produce that are fully exported to contracted clients from China, Europe, Japan, Korea, and the Middle Eastern countries.

Due to his invaluable positive influences and vast knowledge of agriculture plantations, productions, and many marketing strategies, he was exclusively appointed as the Marketing Advisor for Kuala Lumpur and Selangor Fruit Farmers' Association. With his massive experience in the honest business culture and his involvement to uplift the livelihood of the society, he was awarded the Hong Kong Distinguished Chinese Award for his invaluable contribution to the community.

Under his constructive leadership won the prestigious ASEAN Outstanding Industrial Class Award for Tropical Fruits development. His vision and guidance are the critical success factor.

As a result of his immense familiarity with the sciences of agricultural and agronomics, he was highly sought after and was appointed as a member of the Industry/Community Advisory Panel of Universiti Sains Malaysia (USM) and Universiti Putra Malaysia (UPM) Putra Paradise Project Director.

In 2019, Dato' Tom Chow was appointed as the Business Development Director (S.E.A) of Hebei Zhongyun Investment Group of China, and he may take charge of the group's plantations & related business and development and supervise the daily operational works in all the regional offices in Cambodia and Vietnam.



## BOARD OF DIRECTORS' PROFILES (cont'd)

### Yang Chin Shen (杨景升)

Yang Chin Shen, a Malaysian, male, aged 44, was appointed as the Independent Non-Executive Director on 28 February 2014. He is the Chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee of the Company. He is a Practicing Member of the Institute of Singapore Chartered Accountants (ISCA), and also a member of the Malaysian Institute of Accountants (MIA) and holds a Bachelor of Business in Accountancy from Queensland University of Technology, Australia (with Distinction).

He has over 20 years of international audit experience including 10 years with the Big Four firms in Malaysia, Singapore and USA, and 6 years with small and mid-sized firms.

He brings along extensive experiences in servicing both multinationals and local companies in wide variety of industries such as property developers, hotels, real estate investment trusts, credit cards, retail, semiconductor, investment companies, retail malls, manufacturing, construction, hospitals, plantations, steel mills, education, statutory board, software, trading, logistics, shipping and leasing.

### Ho Pui Hold (何沛豪)

Ho Pui Hold, a Malaysian, male, aged 39, was appointed as Independent Non-Executive Director on 18 September 2015. He is the Chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee of the Company. He is an Accountant by profession, a fellow member of the Association of Chartered Certified Accountants (FCCA), United Kingdom, a member of Malaysian Institute of Accountants (MIA) and a member of Asean Chartered Professional Accountant (ACPA).

Mr Ho has many years professional experience in auditing, banking and corporate finance. He started his career in 2004 by joining a Singapore advisory firm as IPO consultant where he participated in a few successful listing of companies in Singapore Exchange Limited ("SGX"). He then joined Ernst & Young as Senior Audit Associate until 2009 before he left to join AmBank (M) Berhad – Corporate & Institutional Banking. In the bank, he was responsible in client credit evaluation and marketing of the Bank's products mainly in debt capital market, offshore loan syndication, corporate finance advisory & treasury products. To further advance his career, he took up the chief financial officer position in a foreign company listed on Bursa Securities until 2013. He now sits on the board of Per maju Industries Berhad, Milux Corporation Berhad and Malaysia Pacific Corporation Berhad, Xidelang Holdings Limited Companies listed on Main Market of Bursa Securities.

### Khoo Chee Siang (邱業勝)

Khoo Chee Siang, a Malaysian, male, aged 45, was appointed as Independent and Non-Executive Director on 2 September 2020. He is a member of the Nomination Committee and a member of the Audit Committee of the Company. He is an Accountant by profession, a fellow member of the Association of Chartered Certified Accountants (FCCA).

Mr Khoo Chee Siang was the Executive Director of UHY Advisory (KL) Sdn Bhd, a boutique financial and corporate advisory firm from 2008 to 2016. He started his career in auditing with an international medium accounting firm, Morison Anuarul Azizan Chew & Co and was subsequently promoted to Senior Consultant in Corporate Finance and Advisory Department. He later joined Finmart Alliance Sdn Bhd as an Associate Director in-charge of corporate finance and business advisory services. He has significant experience in corporate finance, initial public offerings, corporate debt restructuring as well as his external auditing experience covered various sectors. Currently, he is the Managing Director of Eco Asia Capital Advisory Sdn Bhd, a licensed corporate finance advisor by Securities Commission Malaysia.

He is now sit on the Board of GPA Holdings Berhad, Chin Hin Group Property Berhad, Green Ocean Corporation Berhad and Seer Berhad, Companies listed on Bursa Securities. Also, Exsim Capital Resources Berhad and Exsim Ventures Berhad, non-listed public companies.

**Note :**

*Save as disclosed above, none of the Directors hold directorships in any other public companies, have any family relationship with any director and / or major shareholder of the Company nor any conflict of interest with the Company and has no conviction for any offences within the past 5 years other than traffic offences, if any and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2020.*



## PROFILES OF KEY SENIOR MANAGEMENT

### Ang Kong Siang

Ang Kong Siang, a Malaysian, male, aged 48, was appointed as Chief Financial Officer of the Company on 1 December 2013. He is a fellow member of the Association of Chartered Certified Accountants (FCCA), United Kingdom and a member of Malaysian Institute of Accountants (MIA) and holds a Master Science of Finance from University of Portsmouth (UK).

Mr Ang has accumulated over 7 years of professional experience in auditing and corporate advisory. Prior to his appointment as Chief Financial Officer of the Company, he was the group accountant for few private companies and Chief Financial Officer for companies listed in Singapore and Malaysia.

Mr Ang does not hold any directorships in any public companies. He has no relationship with any Director and/or major shareholder(s) of the Company. He does not have any conflict of interest with the Company and has no conviction of any offences within the past 5 years other than traffic offences, if any and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2020.



On behalf of the Board of Directors of HB Global Limited ("HB Global" or "the Company") and its subsidiaries (collectively known as "the Group"), it gives me great pleasure to present the Annual Report and the Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2020.

## **GROUP BUSINESS OVERVIEW**

HB Global is primarily dealing with Foods Processing business which specialise in the research & development, and manufacturing of variety Ready-To-Serve foods ("RTS"). These include market survey and foods design & development to suit their local living style. The Group was initially established to venture into foods processing business which mainly oriented for export market. Meanwhile in 2009, the Group's applied listing status to the Main Market of Bursa Malaysia and expand its core business to include poultry farming business in year 2011. Underpinned by its fundamental principle to provide affordable foods products with high qualities and unique favor, HB products cater to a wide variety of users, from hypermarket, tourist market, food stalls to common residential houses. The Group's business operations comprise of 2 main business units:-

### 1) **Food Processing**

Processing, packaging and producing various types of foods are the primary business activities in the Group.

### 2) **Duck Farming**

Rearing and trading of livestocks activities were initially set up to support the supplies of raw material which had constraint from the suppliers to expand the food processing segment in year 2009.

The Group has two (2) 100%-owned subsidiaries as follows:

#### **100% owned Subsidiaries:**

- a) Shandong Hengbao Foodstuffs Co., Ltd. ("SHF") – the main operating plant situated in China
- b) Juxian Hengbao Farming Co., Ltd. ("JHF") – has ceased operation

As the main subsidiary, SHF is principally involved in the design, research & development of RTS products and marketing activities, while JHF are rearing and trading of livestock and currently has ceased operation.

## **2020 Performance Overview**

HB Group's revenue had 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. 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.

## **Expectation**

The global economy has remained weak in 2020 and with the prolonged trade disputes and market protectionism imposed by various countries, businesses can only be more challenging. However, we continue to sharpening our portfolio not only invest in our product quality but also in review on several, further investment opportunities. To accelerate the future development in innovation and technology, we are expanded our possibilities, and extended our supply chain partnerships to ensure the stability and sustainability.

Developing solutions to meet fast-changing economic environment and consumer needs. Most of the long-term trends we have been working on still apply. Extended of the market segment and product segment, particularly, digital engagement and demand for the health and wellness.

With the effect by the pandemic, we are now also focusing on the final consumer has been rapid shift toward at-home consumption. With consumer behaviour progressing quicker than ever, we are adapting to this new reality by reinforcement on our innovation, leveraging our digital capabilities and executing with speed.

As the economic consequences of the pandemic have intensified, we have also revitalised our affordable ready to serve food from wholesale to final consumer.





## MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

### **Financial Review**

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.

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.

### **Operations Review**

HB Global expenditure can be categorised into five components, i.e. costs of sales, selling and distribution expenses, administrative expenses, other expenses and finance costs.

The year under review saw costs of sales taking up the highest percentage of the Group's expenditure at 51.5%.

Duck farming segment was originally a major segment of the Group's operations after successful listing in Bursa. As this segment had been badly affected by bird flu, low pricing and tight competition in nature which led to gross losses in the past few years and shown no sign of recovery, management had taken a stringent measure to cease the duck farming operation since July 2016 and will continuously look for lessee to generate some flow of income to the Group.

In recognising the volatile nature of the currency market and change in end consumers behavior, HB has effective contingency plans on hand to mitigate such risks. Management adopt a tight control operating model to minimise costs and introduce technology to improve efficiency in our operations.

### **A Cautiously Pessimistic Future**

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.

### **Declaration of Dividends**

With the current financial position and further unknown challenges ahead, in view of financial prudence, no dividend is to be declared.

### **Appreciation**

At HB Global, we would like to extend our heartfelt gratitude to all our stakeholders who have supported us through the years. These include our valued customers, business associates, vendors, relevant authorities, bankers and financiers and investors. The Group also takes this opportunity to acknowledge the contributions of our amazing management and staff members who have worked tirelessly to help us attain our goals as well as the Board of Directors for their invaluable time and guidance. We look forward to your continued support in the coming year.

**Keh Chuan Seng**  
Chairman



# CORPORATE SUSTAINABILITY STATEMENT

## BOARD STATEMENT

### Dear Shareholders,

The Board is pleased to present HB Global Limited ("HBGL")'s financial year 2020 Sustainability Report. HBGL and its subsidiaries ("Group") aims to be the trusted investment choice in the processing, packaging and producing various types of foods through delivering excellence and creating value for our stakeholders. We strive to integrate sustainability into our operations. This report shall details how we identify and manage economic, environmental, social, and governance (EESG) issues that are important to our stakeholders and us.

### MCO disruption

#### GREATER CHINA

Since the outbreak of COVID-19, employees of the Shandgong Hengbao Foodstuff Co. Ltd overcame various difficulties to ensure the supply chain stability and play a positive role of producing of foods during epidemic prevention and control. The Group still suffer from the restriction of the export and the reducing of the order form some major customer.

Nevertheless, the China becomes first major economy to recover from Covid-19 pandemic. The national economy is expected to be the only G20 economy to grow this year. The global economy is slated to contract by 4.4%, according to the International Monetary Fund, the steepest downturn since the Great Depression.

China Policymakers released targeted stimulus measures from tax cuts and lower interest rates to credit local governments and cheaper lending for businesses.

We are expected most cities have returned to normal with schools and offices reopened. Before a new outbreak in the eastern province of Shandong, the country had gone almost two months without any new locally transmitted cases. China has officially reported 4,634 coronavirus deaths and more than 85,000 confirmed cases.

Data showed industrial production in September rose 6.9% compared to the same period last year. Retail sales were up 3.3%. Auto sales for the month also increased 12.8% while domestic air travel exceeded pre-pandemic levels. Consumer spending has begun to pick up again, illustrated by a resurgence in tourism during a week-long public holiday in October known as Golden Week.

#### MALAYSIA

On 31st January 2020, the World Health Organization (WHO), due to growing fears about the rapid spread of coronavirus, announced a global epidemic and on 11th March, the disease was recognised as a pandemic. On 16 March 2020, Prime Minister of Malaysia- Muhyiddin Yassin made an official speech and officially promulgated the movement control order under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967. On 18 March, Malaysia began the implementation the movement control order (MCO). On 25 March, the prime minister through a live national broadcast announced a first extension of the MCO to last until 14 April. The MCO impact the economic environment in Malaysia including retails, supply chain and many other factors.

The management is in the process of assessing the impact of COVID-19 Pandemic since ongoing developments remain uncertain and cannot be reasonably predicted as the date of reports.

We strive to integrate sustainability and business continues into our operations. This report details how we identify and manage economic, environmental, social, and governance (EESG) issues that are important to our stakeholders and us.

In the future, the Board of Directors and senior management of the HBGL will continue to deepen the concept of sustainable development, actively advance the practices of sustainable development and make unremitting efforts to achieve long-term benefits for stakeholders.

### Board Assurance

With the disruptions of MCO due from COVID-19. We not only believe strong sustainability governance is critical to our success but also the business impact analysis and business continues management should be implemented and considered by the Board.



# CORPORATE SUSTAINABILITY STATEMENT (cont'd)

The Board understand that we are plays an important role in the selection and review of economic, environmental, social and governance (EESG) factors that are material to us and oversees the management and the performance relating to these factors.

## Implementation of ANTI-BRIBERY AND CORRUPTION POLICY. (AB & C )

On 1 June 2020, Corporate liability under Malaysia Anti-Corruption Commission Act (MACC) to be enforced. HBGL published AB & C and pledge that we do not condone bribery and corruption and expects its Directors, employees and business associates to adhere to the same principle in their business conduct with or on behalf of HBGL.

### Board Assurance

We believe strong sustainability governance is critical to our success. The Board plays an important role in the selection and review of economic, environmental, social and governance (EESG) factors that are material to us and oversees the management and the performance relating to these factors. This report is in compliance with the listing requirements of Bursa Malaysia Securities Berhad [paragraph 9.45(2) and paragraph (29), Part A of Appendix 9C of the Main Market Listing Requirements (supplemented by Practice Note 9) and references the internationally recognised Global Reporting Initiative (GRI) Standards (2016), Integrated Reporting <IR>.

### Sustainability Initiatives

As an established group, we are committed to contribute to a Safety & Healthy in the various types of ready-to-serve food, frozen vegetables and others food and by using innovative technologies and adopting sustainable practices. We recognise the potential negative impacts our operations and activities may have on society and the environment and seek to mitigate those impacts by implementing relevant measures.

These measures include establishing comprehensive monitoring systems, streamlining our work processes, adopting efficient and sustainable manufacturing process methods as well as utilising sustainable materials. To reduce our environmental footprint, we encourage our employees to use reduce the wastage of materials, to reduce the noise generated by our activities, to use less paper in the workplace and to decrease the utilisation of water. We also work closely with our stakeholders to identify opportunities for improving our sustainability performance.

We strive to contribute to local communities by supporting various meaningful initiatives. We actively pursue our social responsibility through sponsorships and campaigns carried out with other charitable organisations and associations.

In order to improve our environmental and occupational health and safety standards in our workplace, we provide relevant occupational health and safety (OHS) training to staff, workers and whether in-house or through external trainers.

We will continue to report on our sustainability journey as we continue to create sustainable value for our stakeholders in the coming years.

On behalf of the board of directors of HBGL, I would like to express my heartfelt thanks to all of employees who stick to their posts, to public and private customers who are willing to help each other, and to all shareholders who share weal and woe, and to the Chinese government and all sectors from society for their support.





**About This Report**

HB Global Limited ("HBGL") and its subsidiaries (the "Group"), are devoted to creating a business that contributes towards convenient living for the global society. This sustainability report demonstrates the best practices, effort and initiatives that the Group had undertaken to address our organisation's impacts on the local economy, society, environment and governance.

**Reporting Scope**

The scope of reporting for this sustainability statement covers the activities of our trading and manufacturing operations involved in procesing, packing and producing various types of ready to serve foods, frozen vegetables and other manufacturing. Details of the Group's trading and manufacturing facilities are shown in the table below

Building	/ No. of Buildings	/ Locations
Office	3	- Singapore - Kuala Lumpur, Malaysia - Ju County, Rizhao City, Shandong Province, the PRC
Factory cum Office	1	- Ju County, Rizhao City, Shandong Province, the PRC

This report has been prepared for the reporting period from 1st January 2020 to 31st December 2020.

**Reporting Framework**

The Group prepared Sustainability Statement in 2018 & 2019 in accordance with the Bursa Malaysia Securities Berhad's Sustainability Reporting Guide. The format adopted is in line with the recommended Global Reporting Initiatives (GRI) 4.0 Sustainability Reporting Guidelines. This year the Group also decided to adopt Sustainable Development Goals (SDGs) as part of the report.

**DEFINING OUR SUSTAINABILITY STRATEGY**

HBGL places strong emphasis on "Safety & Healthy" and strives to deliver top-quality and innovative products, services and content through sustainable business practices. As such, we continuously seek opportunities to incorporate sustainability into our Group's long- term growth and development goals.

In embedding sustainability practices into our day-to-day business operations, in financial year ended 31 December 2020 ("FY 2020"), we have developed the Group's vision that is based on Capitals mention in Integrated reporting

 <b>Marketplace</b>	Implementing sustainability through product quality and safety
 <b>Workplace</b>	Creating a safe and supportive working environment.
 <b>Environment</b>	Improving our environment by utilising greener alternatives.
 <b>Community</b>	Contributing to local community development.






# CORPORATE SUSTAINABILITY STATEMENT (cont'd)

## SIX CAPITAL OF HBGL

At HBGL, we understand the sustainability initiative, the board recognise the ESG value chain. Through HBGL's business value-creation model, we recognise and enhance the value creation align with sustainability initiative, we not only look into profit creation but value creation.

The Corporate Sustainability Statement has evolved over the year to address the fast-changing environmental and business landscape. It embraces the framework by the international integrated Reporting Council (IIRC) to make business and financial sense of Sustainability performance. The Six Capital model has reinforce our sustainability strategy, policies and practices and is aligned to global best standard including the UN Sustainable Development Goals(SDGs). This year HBGL redefine interaction model to Six Capital, which entails our roles as manufacturer & trader and a corporate citizen that continues to create sustained value for our business and stakeholders



Financial	Manufactured	Organisational
Funds available to firm from operations and financing	Manufactured physical objects used in value creation	Governance, Internal control system and procedures
 <b>Financial Highlight</b> Resources to sustain the company from operations to support other capitals	 <b>Marketplace</b> Implementing sustainability through product quality and safety	 <b>Governance</b> Board engagement on strategy, internal control to enhance the sustainability initiative

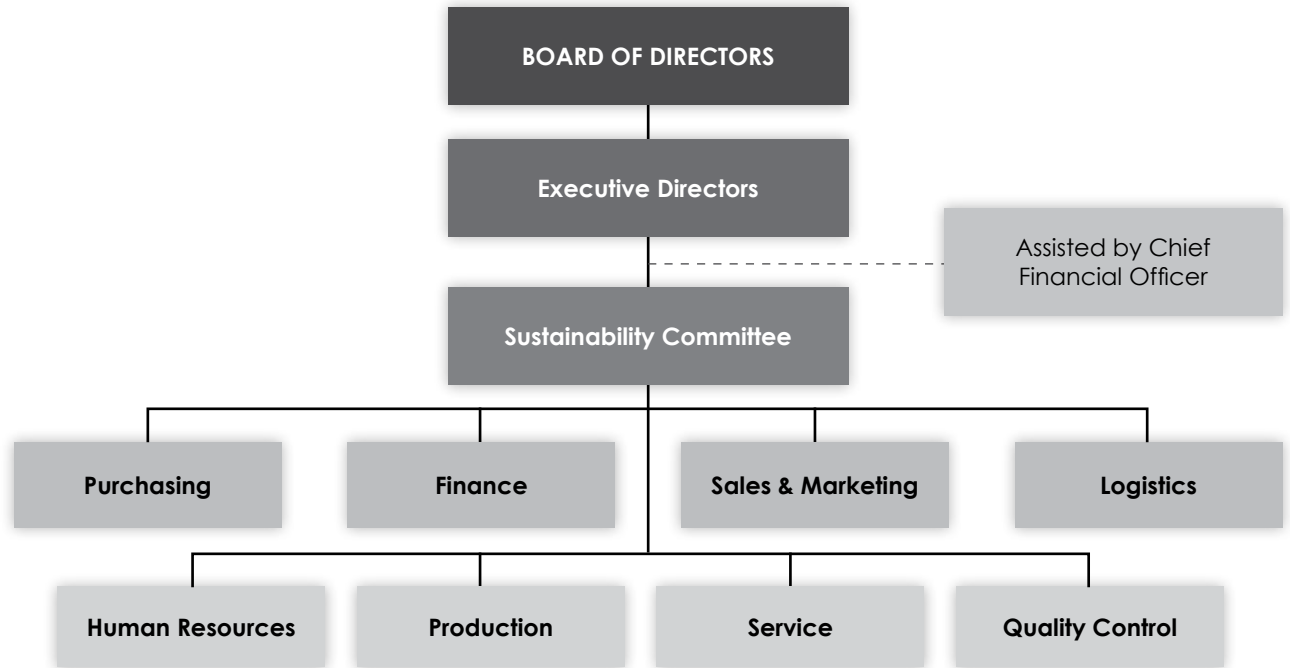
Human	Social	Natural
Skills, motivation, alignment with organisational goals	Relations with key institutions, stakeholder groups, shared norms and values, trust and confidence, and its social license to operate	Renewable and non-renewable natural elements, and the eco-system, used as inputs by the firm now or in the past or future, and impact of firm on them
 <b>Workplace</b> Creating a safe and supportive working environment, training and self-development	 <b>Community</b> Contributing to local community development	 <b>Environment</b> Improving our environment by utilising greener alternatives.



# CORPORATE SUSTAINABILITY STATEMENT (cont'd)

## SUSTAINABILITY GOVERNANCE

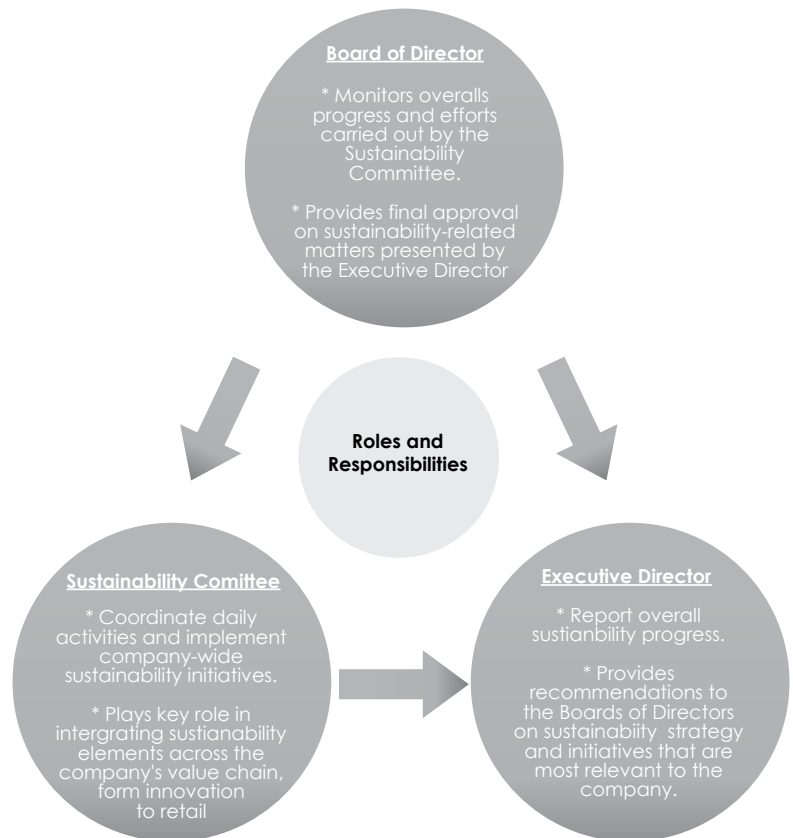
HBGL views sustainability as an important aspect in our Group. The Group has established a systematic and comprehensive governance structure to ensure successful attainment of all our sustainability targets and goals



In FY 2020, HBGL formed a two-tier governance structure whereby the Executive Director, assisted by the Chief Financial Officer, reports directly to the Board of Directors. The Board of Directors leads the structure in determining the sustainability journey and overseeing the execution of sustainability within the Group

We have also established a dedicated Sustainability Committee as part of the governance structure, with the key function of developing and implementing the Group's sustainability strategy.

There is no significant change during the year





## CORPORATE SUSTAINABILITY STATEMENT (cont'd)

### STAKEHOLDER ENGAGEMENT TABLE

As part of our commitment to build sustainable business, we strive to build good relationships with our stakeholders as they offer valuable insights into the business, allowing us to identify areas and opportunities for improvement. Therefore, it is important for us to engage them on a regular basis in order to gather their feedback and address any concerns they may have.

We have identified our key stakeholder groups and seek to engage them through various methods and channels, which are summarised in the table below:

Stakeholder	Interest/Expectation	Engagement methods (Frequency)
Investor	<ul style="list-style-type: none"> <li>Group financial performance</li> <li>High financial return</li> <li>Global business strategy</li> <li>Sustainable and stable distribution</li> </ul>	<ul style="list-style-type: none"> <li>Annual general meetings (Annually)</li> <li>Annual reports (Annually)</li> <li>Quarterly interim financials (Quarterly)</li> </ul>
Consumers (End users)	<ul style="list-style-type: none"> <li>Best practices in product pricing</li> <li>Licensed manufacturing</li> <li>Product quality</li> <li>Prompt after sales service</li> <li>Efficient complaints resolution</li> </ul>	<ul style="list-style-type: none"> <li>Pricing product to commensurate with product quality (Ad hoc, upon new product or model launch)</li> <li>Prompt after sales service (Daily, via service team)</li> <li>Prompt response to calls for service (Daily, via hotline, e-mail, Facebook, Company's website)</li> </ul>
Consumers (Dealers)	<ul style="list-style-type: none"> <li>Efficient complaints resolution</li> <li>Customer-Company relationship management</li> <li>Safety and security</li> <li>Timely product delivery</li> </ul>	<ul style="list-style-type: none"> <li>Regular client meetings through sales team (Monthly visit)</li> <li>Feedback channel through sales team (Face-to face meeting on monthly visit and feedback via annual survey/ Participate in all regional electrical associations dinner/gatherings)</li> <li>Community and networking events (Annually, attend state association annual dinners to build rapport)</li> <li>Direct access of the logistic team to our customers during the delivery process to ensure prompt delivery (daily, update of delivery details for outstation customers to sales personnel)</li> </ul>
Local Communities	<ul style="list-style-type: none"> <li>Social issues</li> <li>Impact of business operations</li> </ul>	<ul style="list-style-type: none"> <li>Community engagement (Annually)</li> <li>Corporate Social Responsibility programmes (Annually)</li> </ul>
Regulatory and Statutory Agencies	<ul style="list-style-type: none"> <li>Governance compliance</li> <li>Labour practices</li> <li>Occupational safety and health</li> <li>Environmental management and compliance</li> </ul>	<ul style="list-style-type: none"> <li>Inspection by local authority (Annually)</li> <li>Annual report (Annually)</li> <li>General meeting between management and regulators (Ad hoc when required)</li> <li>Direct meetings (Ad Hoc)</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Transparent procurement practices</li> <li>Payment schedule</li> <li>Pricing of services</li> <li>Timely delivery of materials/ products</li> </ul>	<ul style="list-style-type: none"> <li>Evaluation and performance (Annual supplier review)</li> <li>Contract negotiation (Ad hoc, when applicable)</li> <li>Vendor registration (Ad hoc, upon vendors' appointment)</li> <li>Timely delivery (Per delivery basis)</li> <li>Payment to supplier (Per delivery &amp; on agreed terms)</li> </ul>
Industry Peers	<ul style="list-style-type: none"> <li>Best practices in the industry</li> <li>Utilising current technology and systems</li> </ul>	<ul style="list-style-type: none"> <li>Collaboration programs (Monthly informal gathering)</li> <li>Sharing of best practices (Participate in food exhibitions &amp; fairs locally and overseas)</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Work-life balance</li> <li>Career development</li> </ul>	<ul style="list-style-type: none"> <li>Training (on going)</li> <li>Appraisal (Annually)</li> <li>Annual dinner (Annually)</li> <li>Safety Training (Annually, Ad hoc when required)</li> </ul>



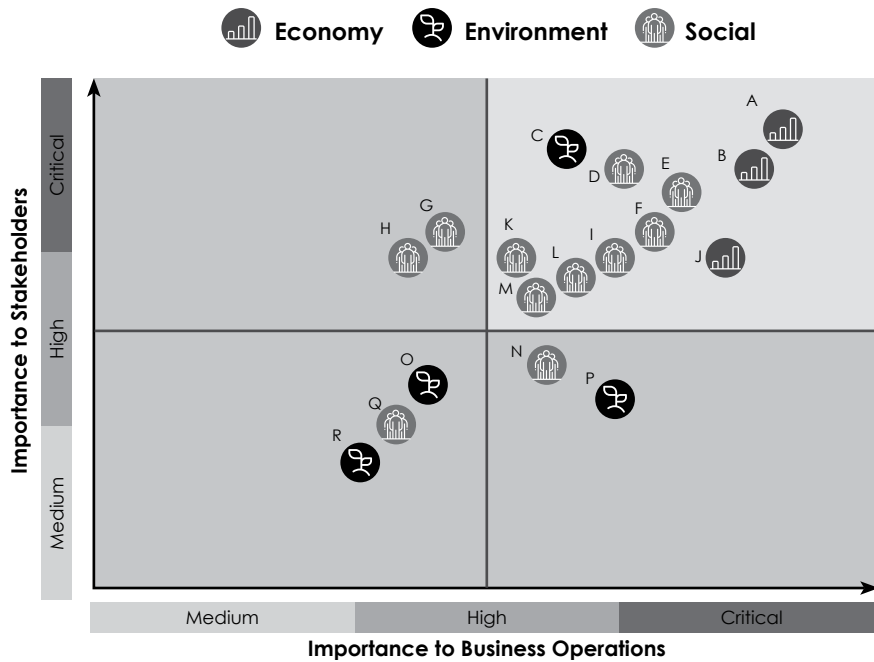


# CORPORATE SUSTAINABILITY STATEMENT (cont'd)

## MATERIALITY MATRIX

We conducted materiality assessment to identify sustainability topic that were of significant relevance to our business and stakeholders. In 2020 we carried out a review to reassess the material topics identified. While conducting the review, we examined trends and developments within the industry as well as global and local sustainability issues.

The material topic in 2020 are listed in the table below:



Material Sustainability Matter	Relevant Stakeholders	Applicable GRI indicators
D- Product Quality Management	Supplier and Customers	Product Service and Labelling
E- Product Safety	Supplier and Customers	Product Services and Labelling
H- Training and Development	Employees	Training and Education
L- Occupational health and Safety	Employees and Regulatory Agencies	Occupational Health and Safety
O- Energy Consumption	Regulatory Agencies and Local Communities	Energy
P- Effluents and Waste	Regulatory Agencies and Local Communities	Waste and Effluence

### Financial Highlight - Resources to sustain the company from operations and supportive to others capitals

For the year ended 31 December 2020 (FY 2020), the Group achieved a revenue of RMB 97.9 million, a decrease of 37.85% against the previous corresponding period (FY 2019: RMB 157.4 million). Its loss for the year was RMB45.2 million (FY 2019: profit of RMB 16.8 million). It is due to lower contribution from the manufacturing operation, lock down due to the COVID-19 and the China-US trade war impact.

However, the group remain positive cash flow of RMB 0.18 million a decrease of 88.54% against the previous period (FY 2019: RMB 1.57 million).

Please refer to HBGL's Annual Report 2020 for our full financial performance report.



# CORPORATE SUSTAINABILITY STATEMENT (cont'd)

## Marketplace - Implementing sustainability through product quality and safety

As a China-based internationally recognised OEM manufacturer of ready to serve food and frozen vegetables, HBGL has contributed towards the growth of both local and global market place



### PRODUCT QUALITY MANAGEMENT

Each of HBGL product is manufactured in accordance to the highest standard of quality management. Our Product Quality is consistently well maintained. We ensure that Work instructions and Standard operating procedures are followed by our manufacturing workers from Shandong Hengbao Foodstuff Co. Ltd in Ju County. Our subsidiary that involve in processing, packaging and producing ready to serve foods and frozen vegetables. Shandong Hengbao Foodstuff Co. Ltd, have obtained quality certification for our products that comply with ISO 9001:2015 and many other Certification.

#### Product Certificate:

Certificate
ISO 9001:2015 Quality Management System
ISO 22000:2018 Food safety management Systems
HACCP- Hazard analysis and critical control points
FDA (US) - Food and Drug Administration Certification
BRC (UK) – British Retail Consortium Refrigerated and frozen food Certification



## CORPORATE SUSTAINABILITY STATEMENT (cont'd)

### Governance - Board engagement on strategy, internal control to enhance the sustainability initiative

In HBGL, we are aware of the importance of Good Governance. We implemented the Risk Management & strategies that would able disclosing appreciate information concerning sustainability and improving the transparency of its management, by reducing risks through pre-emptive measures, so that the company gives its customers and other stakeholder as well as communities and the public as a whole – greater confidence in HBGL.



Please also refer to SUSTAINABILITY GOVERNANCE, STAKEHOLDER ENGAGEMENT TABLE & MATERIALITY MATRIX

### Workplace - Creating a safe and supportive working environment.

#### Occupational Safety and Health (“OSH”)

An occupational safety and health (OSH) policy is in place to protect all employees against possible occupational risks and prevent accidents from happening in the workplace. Information on the OSH policy is provided to all employees and new employees are informed of the policy during the Occupational Safety and Health (OSH) induction programme. For new employees, the First-Day OSH induction programme provides an overview of the OSH policy implemented by the Group

This year we do not received any staff complaint or dispute. The company had reviewed the incidents and improves the policy from time to time to reduce the injury to the minimum.

#### Employment

In HBGL, we are committed to providing our employees with a working environment free from unlawful discrimination, irrespective of race, colour, sex/gender, religion, national origin, age, disability, genetic information, marital status, or any other classification protected by law. We seek to support women, minorities, veterans and individuals with disabilities and strive to empower all our employees to reach their full potential.

#### Diversity and Equal Opportunity

We strive to create a culture that promotes diversity and equality in the workplace. Having a diverse and inclusive workforce allows us to attract the best of the talent pool and, in turn, helps us to improve our bottom line. Improving diversity and equality is also crucial to the achievement of social and economic development goals.

All our employees are employed based on skills and experience through fair selection processes. Each year, our employees receive feedback about their performance through performance reviews, which are conducted in a fair and transparent manner.



## **Training and Development**

In HBGL, we provide various learning opportunities throughout employees' careers to ensure that they develop the skills needed to perform their responsibilities. We believe that our people play an important role in ensuring that we achieve operational and safety excellence. Therefore, we continue to invest in our human capital and support employee development to meet changing business needs.

Our employees receive training from both internal & external sources. These training includes those that are mandatory or on a voluntary basis to ensure they are equipped with relevant skills to perform their jobs. They are also encouraged to obtain certifications that allow them to perform specific tasks or to operate particular machines.

**Environment** - Improving our environment by utilising greener alternatives.

### **Energy Efficiency & CO2 Emission**

Diesel and electricity account for a large proportion of our total energy consumption, resulting in the production of greenhouse gas (GHG) emission such as carbon dioxide (CO<sub>2</sub>) which can have a detrimental impact on the environment. Therefore, we strive to reduce our energy consumption and carbon footprint by promoting the use of renewable energy and improving our energy efficiency.

The Shandong Hengbao Foodstuff Co. Ltd (Manufacture division) are the major contributor of that contribute the GHG emissions. We take the initiative to monitor and reduce the CO<sub>2</sub> emissions. This is the first year we monitor this indicator. Total GHG emission are using the factor of 1 L of gasoline produces approximately 2.3 kg of CO<sub>2</sub>.

### **Water**

High level of water usage put significant strains on water resources and result in wastewater pollution that could lead to the degradation of water quality. Poor water quality and water stress can compromise important ecosystem services and affect the quality of the life of local communities.

In HBGL, although there is significant water usage, we are committed to reducing our total water consumption by promoting the water saving.

### **Effluent and Waste**

Improper disposal of effluents, which contain substantial quantities of chemical and nutrients (principally nitrogen, phosphorous or potassium) affects water quality and has significant impact on the ocean's biodiversity and aquatic ecosystems. Similarly, poor waste management can lead to air, water and soil pollution, which poses a threat to the environment and human health. The generation of excessive waste from manufacturing activities can put strains on our natural resources and ultimately leads to environmental degradation.

**Community** - Contributing to local community development

## **CUSTOMER SERVICES**

HBGL's management philosophy "Safety and Healthy" has been to contribute to society through its products and services while always putting the customer first. Based on this philosophy, the company strives to improve customer satisfaction and offers products, solutions, and services that enrich the lives of people around the world.

When providing customer service, our customer services officer strives for sincerity, accuracy, and speed, and acts with humility and appreciation. This finds its basis in the principle of " Safety and Healthy" in line with the Group's vision. The company's fundamental stance is thus to provide customers with trusted products, hence contributing to peace of mind, and satisfaction.

We conduct customer satisfaction survey to understand our customer. Based on analyses of the survey results, the company follows a cycle of improvement, as follows: Draft plans for improvement initiatives → Execute these initiatives → Verify progress → Survey (evaluate) customer satisfaction. The company works to improve customer satisfaction by implementing improvements to products, system solutions and services by making the most of the results of the survey, in cooperation with manufacturing divisions such as product planning, design, engineering, and quality, and customer support divisions such as marketing, sales, construction, and maintenance services.



## CORPORATE SUSTAINABILITY STATEMENT (cont'd)











### COMMUNITY ENGAGEMENT

We recognise that our business success is also dependent on support from the local community. Therefore, we are committed to giving back to the community via various programmes and channels such as roadshow, voluntary donation, sponsorship through charity bodies and product sales to keep our negative impacts to a minimum and to improve our positive impacts to local communities.

Since ongoing remain uncertain and unable be reasonably predicted as the Conditional MCO ("CMCO") extended until 31 December 2020. This year most of us suffer for the difficult time. Due to the Covid-19 Pandemic SOP to maintain the social distance, we were unable to carry out any community engagement including donation.

However, we are still continuing seek to build good relationships with the community and the public by sharing our experiences at industry events and forums. We also aim to help increase the pool of talent in the industry by sharing our expertise.

### Relationship with SDGs

SDGs	Main Activity	Detailed information
No Poverty	-	-
Zero Hunger	-	-
 3 Good Health and Well-being	HBGL provide safe working environment	- Governance Capital - Marketplace - Workplace
 4 Quality Education	Training and development for staff	- Workplace
 5 Gender Equality	No Employment policy discrimination	- Workplace
 6 Clean Water and Sanitation	Promoting water saving	- Marketplace
 7 Affordable and Clean Energy	Using LED & Solar power system	- Environment
 8 Decent Work and Economic Growth	Quality control and management	- Marketplace
 9 Industry, Innovation, and Infrastructure	Non-toxic Product innovation	- Marketplace
 10 Reducing Inequality	Employment policy of no discrimination	-Workplace
 11 Sustainable Cities and Communities	Community relationship and engagement	- Community
 12 Responsible Consumption and Production	Promise to deliver of Quality, safety product	- Marketplace - Community



## CORPORATE SUSTAINABILITY STATEMENT (cont'd)

### LOOKING FORWARD

Sustainability Report provide alternative channel to communicate and disclose information to our stakeholders. We are committed to doing business in an ethical and transparent manner as a public listed company. We have a zero-tolerance policy towards fraud, bribery, corruption, money laundering and the financing of terrorism. We are achieving our target by implementing Anti-Bribery and Corruption Policy.

The management has closely monitored the development progress of the outbreak of coronavirus pandemic ("COVID-19") infection in China and Malaysia. That may affect and impact on the sustainability such as business performance, financial performance and financial position of the Group and of the Company mainly due to travel and movement restriction and other precautionary measures imposed by relevant local authorities that affected the on-going Group's activities and the Company business operations.

As at the date of this report, the sustainability impact of the COVID-19 outbreak to the Group and to the Company cannot be reasonably estimated due to the inherent unpredictable nature and rapid development relating to COVID-19, the extent of the impact depends on the on-going precautionary measures introduced by each country to address this pandemic and the durations of the pandemic. As such, the management of the Company will continue to closely monitor the situations and respond proactively to mitigate the impact on the Group's activities and the Company's sustainable issues

Supply chains are under enormous pressure, with companies looking to ensure continuity and address dislocation of workers who have been laid off or furloughed. Companies also need to preserve our supply chains to meet the eventual return of consumer demand.

With the disruption of COVID-19 and MCO, we understand the Business Continues Management (BCM) is important to an organisation to handle the crisis and natural disaster. The Board currently are reviewing the Business Impact Analysis (BIA) and the Stress Test of the Company to minimise the impact to our business and industry.

Health and well-being are rising on the major concern. Beyond the obvious need to ensure that the virus is tamed as quickly as possible, business has more incentive to look after both the physical health, but also the well-being of colleagues who are navigating an unexpected and difficult time. Strategic investments in staff healthy pay dividends.

Companies with healthier supply chains have more workforces that are productive, are better able to serve customers, and help consumers to live longer, more fulfilling lives, resulting in thriving communities. This work has taken on even greater importance in the context of the coronavirus.

HBGL strives to continuously update and improve our sustainability initiative in order to accomplish our goal of becoming a sustainable industry leader.



## CORPORATE GOVERNANCE STATEMENT

The Board is committed to ensure that a high standard of corporate governance is practised throughout HB Global Limited ("HB Global" or "the Company") and its subsidiaries ("the Group") in discharging its responsibilities with integrity, transparency and professionalism, to protect and enhance shareholders' value and the financial position of the Group.

The Board recognises the importance of good corporate governance and fully supports the principles and best practices promulgated in the Malaysian Code on Corporate Governance 2017 ("MCCG") to enhance business prosperity and maximise shareholders' value. The Board will continuously evaluate the Group's corporate governance practices and procedures, and where appropriate will adopt and implement the best practices as enshrined in MCCG to the best interest of the shareholders of the Company.

Below is a statement and description in general on how the Group has applied the principles and complied with the best practice provisions as laid out in MCCG throughout the financial year ended 31 December 2020 pursuant to Paragraph 15.25 of the Main Market Listing Requirements ("MMLR") of Bursa Securities

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

#### PART I – BOARD RESPONSIBILITIES

- **Board Leadership on Objectives and Goals**

##### Strategic Aims, Values and Standards

The Group is led and controlled by an effective Board. The Board provides strategic direction for the Group and regularly meets to review corporate strategies, resolve operational affairs and monitor the financial performance of the Group.

The Board assumes responsibility for the effective stewardship and control of the Group and its members have established a term of reference to assist them in the discharge of their responsibilities. The Board regularly reviews the Group's business operations, management performance and also ensure the necessary resources are in place.

The Board has a formal schedule of matters reserved to itself for decision, which includes the overall Group strategy and direction, investment policy, major capital expenditures, consideration of significant financial matters and review of the financial and operating performance of the Group.

The management, including the Chief Executive Officer and Executive Directors of the Company, are responsible for managing the day-to-day running of the business activities in accordance with the direction and delegation of the Board. The management meets regularly to discuss and resolve operational issues. The Chief Executive Officer and Executive Director brief the Board on business performance and operations as well as the management initiatives during quarterly Board's meetings.

The Board is entrusted with the responsibility to promote the success of the Group by directing and supervising the Group's affairs. Hence, to develop corporate objectives and position descriptions including the limits to management's responsibilities, which the management are aware and are responsible for meeting.

The Board understands the principal risks of all aspects of the business that the Group is engaged in recognising that business decisions require the incurrance of risk. To achieve a proper balance between risks incurred and potential returns to shareholders, the Board ensures that there are in place systems that effectively monitor and manage these risks with a view to the long term viability of the Group.



## CORPORATE GOVERNANCE STATEMENT (cont'd)

The principal roles and responsibilities assumed by the Board are as follows:

- Review and adopt strategic plan of the Group

The Board plays an active role in the development of the Group's overall corporate strategy, marketing plan and financial plan. The Board has presented the short and long-term strategy of the Group together with its proposed business plans for the forthcoming year. The Board also monitors budgetary exercises which support the Group's business plan and budget plan.

- Implementation of internal compliance controls and justified measures to address principal risks

The Board is fully alert of its responsibility to maintain a proper internal control system. The Board is responsible for the Group's internal control system including financial condition of the business, operational, regulatory compliance as well as risk management matters.

- To formulate and have in place an appropriate succession plan

The Board is responsible to formulate and have in place an appropriate succession plan encompassing the appointment, training, and determination of compensation for senior management of the Group, as well as assessing the performance of Directors and Committee members and, where appropriate, retiring and appointing new members of the Board and Executive Directors.

The Board has entrusted the Nomination Committee and Remuneration Committee with the duty to review candidates with required mix of skills and experience for the Board and to determine remuneration packages for these appointments, and to formulate nomination, selection and remuneration for the Group.

- Developing and implementing an investor relations program or shareholder communications policy for the Group

The Board recognized that shareholders and other stakeholders are entitled to be informed in a timely and readily accessible manner of all material information concerning the Company through a series of regular disclosure events during the financial year. Hence, the Company website is the primary medium in providing information to all shareholders and stakeholders.

The Board will normally hold meetings at least four (4) times in each financial year to consider:

- i) relevant operational reports from the management;
- ii) reports on the financial performance;
- iii) specific proposals for capital expenditure and acquisitions, if any;
- iv) major issues and opportunities for the Company, if any; and
- v) quarterly financial statements for announcement to authorities.

In addition, the Board will, at intervals of not more than one (1) year:

- i) approve annual financial statements, and other reports to shareholders;
- ii) consider and, if appropriate, declare or recommend the payment of dividends;
- iii) review the Board composition, structure and succession plan;
- iv) review the Company's audit requirements;
- v) review the performance of, and composition of Board committees;
- vi) undertake Board and individual Board member evaluations;
- vii) review Board remuneration; and
- viii) review risk assessment policies and controls and compliance with legal and regulatory requirements.

The roles and responsibilities of the Independent Non-Executive Directors and Executive Directors are clearly defined and properly segregated. All the Independent Non-Executive Directors are independent of the Executive Directors, management and major shareholders of the Company, and are free from any business or other relationship with the Group as well as not get involved into the daily operation and administration that could materially interfere with the exercise of their independent judgement. This offers a strong check and balance on the Board's deliberations.





## CORPORATE GOVERNANCE STATEMENT

The Executive Directors are responsible for the overall performance and operations as well as the corporate affairs and administrations of the Group. They are assisted by the senior management personnel of the Group in managing the business activities of the Group in the manner that is consistent with the policies, standards, guidelines, procedures and/or practices of the Group and in accordance with the specific plans, instructions and directions set by the Board.

The Chief Executive Officer holds the principal obligations in focusing, guiding, addressing, supervising, regulating, managing and controlling as well as communicating the Company's goals and objectives, as well as all significant corporate matters, corporate restructuring plans, business extension plans and proposals. The Chief Executive Officer, assisted by other Executive Director, is also responsible for proposing, developing and implementing applicable and relevant new policies and procedures.

The Independent Non-Executive Directors of the Company play a key role in providing unbiased and independent views, advice and contributing their knowledge and experience toward the formulation of policies and in the decision-making process. The Board structure ensures that no individual or group of individuals dominates the Board's decision-making process. Although all the Directors have equal responsibility for the Company and the Group's operations, the role of the Independent Directors are particularly important in ensuring that the strategies proposed by the Executive Directors are deliberated on and have taken into account the interest, not only of the Company, but also that of the shareholders, employees, customers, suppliers and the community.

In discharging its fiduciary duties, the Board has delegated specific tasks to three (3) Board Committees namely the Audit Committee, Nomination Committee and Remuneration Committee. All the Board Committees have its own terms of reference and has the authority to act on behalf of the Board within the authority as lay out in the terms of reference and to report to the Board with the necessary recommendation.

### **Independent Chairman**

The MCCG recommends that the Board of Directors of a public listed company should be composed of a majority of independent directors where the Chairman of the Board is not an independent director. Currently, the Chairman of the Board is now filled by Mr Keh Chuan Seng as Non-Independent and Non- Executive Chairman with effect from 10 February 2021. He has the obligation to preside at various meetings, namely the shareholders' general meetings and the Board meetings.

The Board of Directors of the Company, notwithstanding that the role of the Chairman is current assumed by the Non-Independent and Non-Executive, is of the opinion that the element of independence which currently exists is adequate to provide assurance that there is a balance of power and authority on the Board. In addition, the presence of the three (3) Independent Non-Executive Directors are sufficient to provide the necessary checks and balances on the decision-making process of the Board. The contributions of the Independent Non-Executive Directors in the decision-making process is evidenced in their participation as members of the various committees of the Board.

The Board therefore believes that balance of power and authority exists within its current structure to sufficiently enable it to discharge its duties objectively.

### **Qualified and Competent Company Secretaries**

Company Secretary will attend all Board and Committee meetings and is responsible for the proper maintenance of records of the discussions on key deliberations and decisions taken during the Board and Committee meetings.

The Company Secretary renders necessary assistance to the Board and ensures meeting procedures are followed and the applicable laws and regulations are complied with.

The Company Secretary shall keep himself abreast with the development and new changes in relation to any legislation and regulations concerning the corporate administration and to highlight the same to the Board of Directors accordingly.

Company Secretary's responsibilities include ensuring good information flows within the Board and its Committees and between senior management and Non-Executive Directors, as well as facilitating orientation and assisting with professional development as required.



### **Board Committees**

In discharging its fiduciary duties, the Board has delegated specific tasks to the following three (3) Board Committees:

- a) Audit Committee ("AC");
- b) Nomination Committee ("NC"); and
- c) Remuneration Committee ("RC").

All the Board Committees have its own terms of reference and has the authority to act on behalf of the Board within the authority as lay out in the terms of reference. These Committees are formed in order to enhance business and operational efficiency as well as efficacy. The Chairman of the respective Committees will report to the Board the outcome of the Committees meetings for the Board's considerations and approvals. The Board retains full responsibility for the direction and control of the Company and the Group.

### **Access to Information and Advice**

Unless otherwise agreed, notice of each meeting confirming the venue, time, date and agenda of the meeting together with relevant Board papers shall be forwarded to each director no later than two (2) days before the date of the meeting. This is to ensure that Board papers comprising of due notice of issues to be discussed and supporting information and documentations were provided to the Board sufficiently in advance. Furthermore, Directors are given sufficient time to read the Board paper and seek any clarification as and when they may need advisers or further explanation from management and Company Secretary. The deliberations of the Board in terms of the issues discussed during the meetings and the Board's conclusions in discharging its duties and responsibilities are recorded in the minutes of meetings by the Company Secretary.

The Board has unrestricted access to all information within the Company as a full Board to enable them to discharge their duties and responsibilities and is supplied on a timely basis with information and reports on financial, regulatory and audit matters by way of Board papers for informed decision making and meaningful discharge of its duties.

All Directors have direct access to the advice and services of the Company Secretary who is responsible for ensuring the Board's meeting procedures are adhered to and that applicable rules and regulations are complied with. In addition, external advisers are invited to attend meetings to provide insights and professional views, advice and explanation on specific items on the meeting agenda, when required. Senior management team from different business units are also invited to participate at the Board meetings to enable all Board members to have equal access to the latest updates and developments of business operations of the Group presented by the senior management team. The Chairman of the Board Committees, namely, the Audit Committee, Nomination Committee and Remuneration Committee briefs the Board on matters discussed as well as decisions taken at the meetings of their respective Board Committees meetings.

When necessary, Directors may whether as a full Board or in their individual capacity, seek independent professional advice, including the internal and external auditors, at the Company's expense to enable the directors to discharge their duties with adequate knowledge on the matters being deliberated, subject to approval by the Chairman of the Board, and depending on the quantum of the fees involved.

- **Demarcation of Responsibilities**

### **Board Charter**

As part of governance process, the Board has adopted a Board Charter which sets out the composition and balance, roles and responsibilities, operation and processes of the Board. The details of the Board Charter are available for reference at the Company's website at [www.hbglob.com](http://www.hbglob.com)



## CORPORATE GOVERNANCE STATEMENT

- **Good Business Conduct and Corporate Culture**

### **Code of Conduct and Ethics**

The Board is committed in maintaining a corporate culture which engenders ethical conduct. The Company has established the Code of Conduct and Ethics, which summarise what the Company must endeavour to do proactively in order to increase corporate value, and which describes the areas in daily activities that require caution in order to minimise any risks that may occur. The details of the Code of Conduct and Ethics are available for reference at the Company's website at [www.hbglob.com](http://www.hbglob.com)

### **Whistle-blowing Policy**

The Company has established the Whistle-blowing Policy, with the aim to provide an avenue for raising concerns related to possible breach of business conduct, non-compliance of laws and regulatory requirements as well as other malpractices. The details of the Whistle-blowing Policy are available for reference at the Company's website at [www.hbglob.com](http://www.hbglob.com)

## **PART II – BOARD COMPOSITION**

- **Board's objective**

### **Board Composition and Balance**

The Board is committed in ensuring that its composition not only reflects the diversity as recommended by MCCG, as best as it can, but also the right mix of skills and balance to contribute to the achievement of the Group's goal and business objectives.

The Board of HB Global comprises of seven (7) members of whom three (3) are Executive Directors, three (3) are Independent Non-Executive Directors, one (1) is Non-Independent Non-Executive Directors thereby meeting the minimum one-third (1/3) requirement for independent directors to be appointed to the Board as required under the Listing Requirements

The current composition of the Board provides an effective Board with a mix of industry specific knowledge, broad based business and commercial experience together with independent judgement on matters of strategy, operations, resources and business conduct. The combination of professionals with diverse and varied backgrounds, wealth of experience and expertise in finance and corporate affairs also enables the Board to discharge its responsibilities effectively and efficiently. The profiles of the Directors and Key Senior Management are set out in this Annual Report.

### **Tenure of Independent Directors and Policy of Independent Director's Tenure**

Currently, the Board does not have a formal policy on the tenure for Independent Director as the Board is of the view that a term of more than nine (9) years may not necessary impair independence and judgement of an Independent Director and therefore the Board does not deem it appropriate to impose a fixed term limit for Independent Director at this juncture.

However, as recommended by the MCCG, the tenure of an Independent Director should not exceed cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to the re-designation of the said person as a Non-Independent Director. In the event the Board intends to retain such Director as Independent Director after the latter has served a cumulative term of nine (9) years, the Board must justify the decision and seek annual shareholders' approval. If the Board continues to retain the Independent Director after the twelfth (12) years, the Board will seek annual shareholders' approval through a two-tier voting process.

During the financial year under review, none of the Independent Non-Executive Directors of the Company had served the Company for more than nine (9) years as per recommendation of MCCG.



### **New Candidates for Board Appointment**

The appointment of new Directors is the responsibility of the full Board after considering the recommendations of the Nomination Committee. As a whole, the Company maintains a very lean number of Board members. New appointees will be considered and evaluated by the Nomination Committee. The Nomination Committee will then recommend the candidates to be approved and appointed by the Board. The Company Secretary will ensure that all appointments are properly made, and that legal and regulatory obligations are met.

Generally, the Board adopts a flexible approach when selecting and appointing new Directors depending upon the circumstances and timing of the appointment. The Nomination Committee will help assess and recommend to the Board, the candidate of Directors, appointment of Directors to Board Committees, review of Board's succession plans and training programmes for the Board.

In assessing suitability of candidates, consideration will be given to the core competencies, commitment, contribution and performance of the candidates to ensure that there is a range of skills, experience and diversity (including gender diversity) represented in addition to an understanding of the Business, the Markets and the Industry in which the Group operates and the accounting, finance and legal matters.

In general, the process for the appointment of director to the Board are as follows:

- i) The Nomination Committee reviews the Board's composition through Board assessment/evaluation;
- ii) The Nomination Committee determines skills matrix;
- iii) The Nomination Committee evaluates and matches the criteria of the candidates, and will consider diversity, including gender, where appropriate;
- iv) The Nomination Committee recommends to the Board for appointment; and
- v) The Board approves the appointment of the candidates.

Factors considered by the Nomination Committee when recommending a person for appointment as a director include:

- i) Skills, knowledge, expertise and experience;
- ii) the merits and time commitment required for a Non-Executive Director to effectively discharge his or her duties to the Company;
- iii) the outside commitments of a candidate to be appointed or elected as a Non-Executive Director and the need for that person to acknowledge that they have sufficient time to effectively discharge their duties; and
- iv) the extent to which the appointee is likely to work constructively with the existing Directors and contribute to the overall effectiveness of the Board.

### **Boardroom Diversity**

The Board acknowledges the importance of boardroom diversity and is supportive of the recommendation of MCCG to the establishment of boardroom and workforce gender diversity policy. However, the Board does not adopt any formal boardroom diversity policy in the selection of new Board candidates and does not have specific policies on setting target for female candidates in the Group. The Group basically evaluate the suitability of candidates as new Board member or as a member of the workforce based on the candidates' competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Group, regardless of gender. Equal opportunity is given and does not practise discrimination of any form, whether based on age, gender, race and religion, throughout the organisation. Nevertheless, the Board will evaluate and match the criteria of the potential candidate as well as considering the boardroom diversity for any new proposed appointment of Directors of the Company in the future.



## CORPORATE GOVERNANCE STATEMENT

The existing Directors' age distribution falls within the respective age group and are as follows:

Age Group	31-40	41-50	51 & above
Number of Directors	2	4	1

The current diversity in the race/ethnicity and nationality of the existing Directors are as follows:

Number of Directors	Race/Ethnicity				Nationality	
	Malay	Chinese	Indian	Others	Malaysian	Foreign
	0	7	0	0	6	1

### **Time Commitment and Directorship in Other Public Listed Companies**

The directorships in other public listed companies in Malaysia held by any Board member at any one time shall not exceed any number as may be prescribed by the relevant authorities. In addition, at the time of appointment, the Board shall obtain the Director's commitment to devote sufficient time to carry out his responsibilities. Directors are required to notify the Chief Executive Officer before accepting any new directorship(s). The notification would include an indication of time that will be spent on the new appointment(s). Any Director is, while holding office, at liberty to accept other Board appointment in other companies so long as the appointment is not in conflict with the Company's business and does not affect the discharge of his/her duty as a Director of the Company. To ensure the Directors have the time to focus and fulfill their roles and responsibilities effectively, one (1) criterion as agreed by the Board is that they must not hold directorships at more than five (5) public listed companies as prescribed in Paragraph 15.06 of the Listing Requirements.

Each Board member is expected to achieve at least 50% attendance of total Board Meetings in any applicable financial year with appropriate leave of absence be notified to the Chief Executive Officer and/or Company Secretary, where applicable.

The Directors have demonstrated their ability to devote sufficient time and commitment to their roles and responsibilities as Directors of the Company. The Board is satisfied with the level of time and commitment given by the Directors of the Company towards fulfilling their duties and responsibilities. This is evidenced by the attendance record of the Directors as set out in the section below.

### **Board Meetings and Attendance**

There were five (5) Board of Directors' meetings held during the financial year ended 31 December 2020. Details of the attendance of the Directors at the Board of Directors' meetings are as follow:

Name of Director	Total Meetings Attended	Percentage of Attendance
Keh Chuan Seng	N/A	N/A
Shen Hengbao	5/5	100%
Meng Xiangzhen (resigned w.e.f. 29 March 2021)	4/5	80%
Yang Chin Shen	5/5	100%
Ho Pui Hold	5/5	100%
Dato' Chow Chin Kiat	N/A	N/A
Khoo Chee Siang	N/A	N/A
Lee Ping Wei	N/A	N/A

All the Directors complied with the minimum 50% attendance requirement in respect of Board meetings held during the financial year ended 31 December 2020 as stipulated under Paragraph 15.05 of the Listing Requirements. The Board is satisfied with the level of time commitment given by the Directors of the Company towards fulfilling their duties and responsibilities.



The Board meets on a quarterly basis, with amongst others, review the operations, financial performance, reports from the various Board Committees and other significant matters of the Group. Where any direction or decisions are required expeditiously or urgently from the Board between the regular meetings, special Board meetings maybe convened by the Company Secretary, after consultation with the Chief Executive Officer. Additionally, in between Board meetings, the Directors also approved various matters requiring the sanction of the Board by way of circular resolutions.

The proceedings and resolutions concluded at each Board meeting are recorded in the minutes of the meetings, which are kept in the Minutes Book at the Company's registered office in Singapore.

To facilitate the Directors' time planning, the tentative dates for Board and Board Committee meetings will be notified by the Company Secretaries well in advance to ensure that each of the Directors is able to attend the planned Board and/or Board Committee meetings including that of the Annual General Meeting.

### **Continuing Education Programs**

All Directors appointed to the Board except Mr. Lee Ping Wei, have undergone the Mandatory Accreditation Program ("MAP") prescribed by Bursa Securities. Mr. Lee Ping Wei has already registered for MAP which to be held on 28-30 June 2021 and Anti-Bribery Training which to be held on 10 May 2021. Although the Board does not have a policy requiring each Director to attend a specific number and types of training sessions each year, the Directors are encouraged to attend continuous education programmes/seminars/conferences and shall as such receive further training from time to time to keep themselves abreast of the latest development in statutory laws, regulations and best practices, where appropriate, in line with the changing business environment and enhance their business acumen and professionalism in discharging their duties to the Group.

Details of seminars/conferences/training programmes attended by a few Board members during the financial year as listed below:

Name of Director	Seminars/Conferences/Training Programmes Attended
Yang Chin Shen	<ul style="list-style-type: none"> <li>• Internal Policies, Procedures and Controls (IPPC)</li> <li>• Mandatory Anti-Money Laundering/ Combating Financing of Terrorism Internal Policies, Procedures and Controls (IPPC)</li> <li>• Amendments to SFRS(I) 16 Covid-19 Related Rent Concessions</li> <li>• Amendments to SFRS(I) 1-1 Classification of Liabilities as Current or Non-Current</li> <li>• Annual Improvement to SFRS(I)s 2018-2020</li> <li>• Bridging Audit Gap part 1</li> <li>• Bridging Audit Gap part 2</li> <li>• Bridging Audit Gap part 3, and</li> <li>• Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4, and SFRS(I) 16 – Interest Rate Benchmark Reform – Phase 2</li> </ul>
Ho Pui Hold	<ul style="list-style-type: none"> <li>• S17A Corporate Liability Webinar</li> <li>• Overview: Section 17A Corporate Liability on Corruption</li> <li>• COVID 19 impact on Financial Reporting and Internal Controls</li> <li>• Managing Your Fraud Risk: Are you Doing Enough, and</li> <li>• Awareness ISO 9001:2015, Intro on Implementation</li> </ul>
Khoo Chee Siang	<ul style="list-style-type: none"> <li>• The New Social Media Driven Business Model and its implication to the Capital Market</li> <li>• Thematic Investing Consumption Megatrends affecting the Global Economy</li> <li>• Covid-19 Impact on Revenue, Inventory and Related Costs in respect of Dealings with Customers</li> <li>• Covid-19: Impact on Financial Instruments</li> <li>• Quality Assessment Review on Internal Audit Activities</li> <li>• Enterprise Risk Management – Principles of ISO31000 and 2017 updates on ERM Framework</li> </ul>



## CORPORATE GOVERNANCE STATEMENT

The Board will on continuing basis evaluate and determine the training needs of each Director, particularly on relevant new law and regulations and essential practices for effective corporate governance and risk management to enable the Directors to effectively discharge their duties. Saved as disclosed above, other Directors of the Company were not able to select any suitable training programmes to attend during the financial year due to their busy work schedule. However, they have constantly been updated with relevant reading materials and technical updates, which will enhance their knowledge and equip them with the necessary skills to effectively discharge their duties as Directors of the Company.

In addition to the above, the Directors would be updated on recent developments in the areas of statutory and regulatory requirements from the briefing by the External Auditors, the Internal Auditors and the Company Secretary during the Committee and/or Board meetings.

### **Nomination Committee**

As recommended by MCCG, the Company has established the Nomination Committee comprising exclusively of Independent Non-Executive Directors. The role of the Nomination Committee is to assess and recommend the candidates who have an optimal mix of qualifications, skills and experiences, including core competencies to the Board. The Nomination Committee is required to evaluate the effectiveness of the Board, each Committee of the Company and also to assess the contribution of each Director in relation to the effectiveness of the Board's decision-making process on an annually basis.

The present members of the Nomination Committee are:

#### **Chairman**

Ho Pui Hold - Independent Non-Executive Director

#### **Members**

Yang Chin Shen - Independent Non-Executive Director

Khoo Chee Siang - Independent Non-Executive Director

The Nomination Committee will meet at least once per year unless otherwise determined by the Nomination Committee. The quorum of the Nomination Committee meeting shall be at least two (2) members and comprised a majority of independent directors.

The Board has stipulated specific Terms of Reference for the Nomination Committee, which covers following salient functions:

- i) assessing and recommending to the Board the candidate of directors, appointment of directors to Board Committees;
- ii) reviewing of Board's succession plans and training programmes for the Board;
- iii) undertaking the assessment of the Board, Board Committees and individual directors on an on-going basis; and
- iv) undertaking annual assessment of the independence of independent directors in the Board beyond the independent director's background, economic and family relationships but considering they can continue to bring independent and objective judgment to Board deliberations.

The Nomination Committee may, as it deems fit, call for any appropriate person(s) to be in attendance to make presentations or furnish or provide independent advice to the Nomination Committee on any matters within the scope of responsibilities.

The terms of reference of the Nomination Committee can be viewed at the Company's website at [www.hbglob.com](http://www.hbglob.com). The summary of activities undertaken by the Nomination Committee during the financial year included the following :

- i) Reviewed the effectiveness of the Board, as a whole, Board Committees and individual Directors and make appropriate recommendation to the Board;
- ii) Reviewed and recommended the retirement and re-election of Directors at the forthcoming Annual General Meeting in accordance with the Company's Articles of Association; and
- iii) Reviewed and recommended the re-appointment of Independent Non-Executive Director who has served a cumulative term of more than nine (9) years.



- **Overall Board Effectiveness**

**Evaluation for Board, Board Committees and Individual Directors**

The Nomination Committee would conduct an assessment of the performance and effectiveness of the Board, as a whole, Board Committees and individual Directors, based on an annual assessment. From the results of the assessment, including the mix of skills and experience possessed by Directors, the Board will consider and approve the recommendations on the re-election and re-appointment of Directors at the Company's forthcoming Annual General Meeting, with a view to meeting current and future requirements of the Group.

The criteria used by the Nomination Committee in evaluating the performance of individual, including contribution to interaction, integrity, competency and time commitment of the members of the Board and Board Committees in discharging their duties, are in a set of questionnaires. The independence of Independent Directors is assessed based on their relationship with the Group and their involvement in any significant transactions with the Group including their ability to exercise independent judgment at all times and based on the criteria set out in the Listing Requirements. The Board did not engage any external party to undertake an independent assessment of the Directors.

Based on the assessment conducted for the financial year 2020, the Board and the Nomination Committee are satisfied with the current size, composition as well as the mix of qualifications, skills and experience among the Board members and the level of independence demonstrated by all the Independent Directors and each of them continues to fulfil the definition of independence as set out in the Listing Requirements.

**Re-election of Directors**

In accordance with the Company's Articles of Association, one-third (1/3) of the Directors shall retire by rotation from office at every Annual General Meeting ("AGM") and they shall be eligible for re-election at such AGM. The Directors to retire shall be the Directors who have been serving in office for the longest duration since their appointment or last re-election. All Directors are subject to retire from office at least once in every three years. Any Director appointed during the year is required to retire and seek re-election by shareholders at the next Annual General Meeting following his appointment.

Upon the recommendation of the Nomination Committee and the Board, the Directors who are standing for re-election and re-appointment at the forthcoming AGM of the Company to be held in 2021 are as stated in the Notice of AGM.

**PART III – REMUNERATION**

- **Level and Composition of Remuneration**

**Remuneration Committee**

In line with the Best Practices of the MCCG, the Board has set up a Remuneration Committee which comprise majority of Independent Non-Executive Directors in order to assist the Board for determining the Director's remuneration.

The Remuneration Committee is authorised by the Board to establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. The remuneration of Directors shall be the ultimate responsibility of the full Board after considering the recommendations of the Remuneration Committee.

The Remuneration Committee meet at least once a year and when required and is entrusted, among others, with examining the remuneration packages and other benefits of the Executive Directors. The contribution, responsibilities and performance of each Executive Director is taken into account when determining their respective remuneration packages. The quorum of the Remuneration Committee meeting shall be two (2) members and comprised a majority of independent directors. However, the ultimate responsibility to approve the remuneration of these Directors remains with the Board as a whole. The Executive Directors are not involved in any decisions with regard to their own remuneration.





## CORPORATE GOVERNANCE STATEMENT

The present members of the Remuneration Committee are as follow:

### **Chairman**

Lee Ping Wei - Executive Director  
(Appointed on 14 April 2021)

### **Members**

Ho Pui Hold - Independent Non-Executive Chairman  
(Appointed on 14 April 2021)  
Yang Chin Shen - Independent Non-Executive Director

The past members of the Remuneration Committee are as follow:

### **Chairman**

Khoo Chee Siang - Independent Non-Executive Chairman  
(Resigned on 14 April 2021)

### **Members**

Shen Hengbao - Chief Executive Officer  
(Resigned on 14 April 2021)  
Yang Chin Shen - Independent Non-Executive Director

The summary of activities undertaken by the Remuneration Committee during the financial year included the following:

- i) Reviewed and recommended the payment of Directors' fees to Non-Executive Directors; and
- ii) Reviewed and recommended the Executive Directors remuneration package.

### **Remuneration Policy**

The Remuneration Committee is authorised by the Board to establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors.

The Board believes in a remuneration policy that fairly supports the Directors' responsibilities and fiduciary duties in steering the Group to achieve its long-term goals and enhance shareholders' value. The Board offers a competitive remuneration package in order to attract, develop and retain talented individuals to serve as directors.

The Remuneration Committee's principal objective is to evaluate, deliberate and recommend to the Board a remuneration policy for Executive Directors that is fairly guided by market norms and industry practice. The Remuneration Committee also recommends the Executive Directors' remuneration and benefits based on their individual performances and that of the Group.

#### **• Remuneration of Directors and Senior Management**

### **Directors' Remuneration**

The determination of the remuneration for Non-Executive Directors is a matter of the Board as a whole. The level of remuneration for Non-Executive Directors reflects the amount paid by other comparable organisations, adjusted for the experience and levels of responsibilities undertaken by the particular Non- Executive Directors concerned. The remuneration package of Non-Executive Directors will be a matter to be deliberated by the Board, with the Director concerned abstaining from deliberations and voting on deliberations in respect of his individual remuneration. In addition, the Company also reimburses reasonable out-of-pocket expenses incurred by all the Non-Executive Directors in the course of their duties as Directors of the Company. The aggregate annual Directors' fees are to be approved by shareholders at the Annual General Meeting based on recommendations of the Board.



## CORPORATE GOVERNANCE STATEMENT (cont'd)

The remuneration of the Executive Directors was determined fairly based on the performance and the profitability of the Group as a whole. The Directors' remuneration is at the discretion of the Board, taking into account the comparative market rates that commensurate with the level of contribution, experience and participation of each Director. The overriding principle adopted in setting the remuneration packages for the Executive Directors by the Remuneration Committee is to ensure that the Company attracts and retains the appropriate Directors of the caliber needed to run the Group successfully.

Details of the Directors' remuneration paid or payable to all Directors of the Company (both by the Company and the Group) for the financial year ended 31 December 2020 are as follows:

Director	Company		Group	
	Fees (RMB'000)	Salaries and other emoluments (RMB'000)	Fees (RMB'000)	Salaries and other emoluments (RMB'000)
Khoo Chee Siang	33	N/A	33	N/A
Shen Hengbao	N/A	N/A	N/A	1,000
Meng Xiangzhen	N/A	N/A	N/A	400
Yang Chin Shen	149	N/A	149	N/A
Ho Pui Hold	124	N/A	124	N/A
Dato' Chow Chin Kiat	25	N/A	25	N/A
Lee Ping Wei	N/A	N/A	N/A	N/A
Keh Chuan Seng	N/A	N/A	N/A	N/A
Total	331	N/A	331	1,400

### Remuneration of Top Five (5) Employees

The total remuneration received by top five (5) employees of the Group including salary, bonus, benefits in-kind and other emoluments in bands width of RMB50,000 for the financial year ended 31 December 2020 are as follows:

Name	Range of Remuneration				
	RMB50,001 to RMB100,000	RMB100,001 to RMB150,000	RMB150,001 to RMB200,000	RMB200,001 to RMB250,000	RMB250,001 to RMB500,000
Ang Kong Siang					X
Liu Fuliang	X				
Tian Zongwang	X				
Chen Caixia	X				
Yao Zhifang	X				

Details of total remuneration received by the above employees are not disclosed in this report as the Board is of the view that the above remuneration disclosure by band satisfies the accountability and transparency aspects of the MCCG.

The Board ensures that the remuneration of the top 5 employees commensurate with their individual performances and level of responsibility as well as the demands, complexities and performance of the Company, with due consideration to attract, retain and motivating the employees.



## CORPORATE GOVERNANCE STATEMENT

### PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

#### PART I – AUDIT COMMITTEE

- **Audit Committee**

The Audit Committee is relied upon by the Board to, amongst others, provide advice in the areas of financial reporting, external audit, internal control environment and internal audit process, review of related party transactions as well as conflict of interest situation. The Audit Committee also undertakes to provide oversight on the risk management framework of the Group.

#### **Chairman of Audit Committee**

The current composition of Audit Committee comprises of three (3) members, all of whom are Independent Non-Executive Directors. The Audit Committee is chaired by an Independent Director and the positions of the Chairman of the Board and Audit Committee are held by separate individuals. All members of the Audit Committee are relatively financially literate, while the Chairman of Audit Committee is a member of Malaysian Institute of Accountants.

#### **Former Key Audit Partner**

None of the Board member nor the Audit Committee were former key audit partner of the External Auditors appointed by the Group. The Company will observe a cooling-off period of at least two years in the event any potential candidate to be appointed as a member of the Audit Committee was a key audit partner of the external auditors of the Group.

#### **Assessment of Suitability and Independence of External Auditors**

The Audit Committee has established a transparent and appropriate relationship with the Company's External Auditors. From time to time, the Auditors will highlight to the Audit Committee and the Board on matters that require the Board's attention.

The Audit Committee is responsible for reviewing the audit, recurring audit-related and non-audit services provided by the External Auditors. The Audit Committee has been explicitly accorded the power to communicate directly with both the External Auditors and Internal Auditors. The terms of engagement for services provided by the External Auditors are reviewed by the Audit Committee prior to submission to the Board for approval. The effectiveness and performance of the External Auditors are reviewed annually by the Audit Committee.

To assess or determine the suitability and independence of the External Auditors, the Audit Committee has taken into consideration of the following:

- (i) the adequacy of the experience, competence and resources of the External Auditors;
- (ii) the External Auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
- (iii) the nature of the non-audit services provided by the External Auditors and fees paid for such services relative to the audit fee; and
- (iv) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the External Auditors.

Annual appointment or re-appointment of the External Auditors is via shareholders' resolution at the AGM on the recommendation of the Board. The External Auditors are being invited to attend the AGM of the Company to respond and reply to the shareholders' enquiries on the conduct of the statutory audit and the preparation and contents of the audited financial statement.

The Audit Committee is satisfied with the competence and independence of the External Auditors for the financial year under review. Having regard to this, the Board approved the Audit Committee's recommendation for the shareholders' approval to be sought at the AGM on the reappointment of Messrs UHY Lee Seng Chan & Co., as the External Auditors of the Company for the financial year ending 31 December 2021.



**Composition of the Audit Committee**

In line with the best practices of MCCG, the Board has set up the Audit Committee which comprising exclusively of Independent Non-Executive Directors. The present members of the Audit Committee are as follows:

**Chairman**

Yang Chin Shen - Independent Non-Executive Director

**Members**

Ho Pui Hold - Independent Non-Executive Director

Khoo Chee Siang - Independent Non-Executive Director

All members of the Audit Committee are relatively financially literate and have relevant experience to carry out their duties. The terms of reference and summary of activities of the Audit Committee are set out in the Audit Committee Report in this Annual Report.

**PART II – RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK**

• **Effective Risk Management and Internal Control Framework**

The Board is entrusted with the overall responsibility of continually maintaining a sound system of internal control, which covers not only financial controls but also operational and compliance controls as well as risk management, and the need to review its effectiveness regularly in order to safeguard shareholders' investments and the Company's assets. The internal control system is designed to access current and emerging risks, respond appropriate to risks of the Group.

As an effort to enhance the system of internal control, the Board together with the assistance of external professional Internal Audit firm adopted on-going monitoring and review to the existing risk management process in place within the various business operations, with the aim of formalising the risk management functions across the Group. This function also acts as a source to assist the Audit Committee and the Board to strengthen and improve current management and operating style in pursuit of best practices.

As an ongoing process, significant business risks faced by the Group are identified and evaluated and consideration is given on the potential impact of achieving the business objectives. This includes examining principal business risks in critical areas, assessing the likelihood of material exposures and identifying the measures taken to mitigate, avoid or eliminate these risks.

The information on the Group's internal control is further elaborated on the Statement on Risk Management and Internal Control of this Annual Report.

• **Internal Audit Functions**

The Group has appointed an established external professional Internal Audit firm, which reports to the Audit Committee and assists the Audit Committee in reviewing the effectiveness of the internal control systems whilst ensuring that there is an appropriate balance of controls and risks throughout the Group in achieving its business objectives.

Further details of the activities of the internal audit function are set out in the Statement on Risk Management and Internal Control and Audit Committee Report in this Annual Report.



## CORPORATE GOVERNANCE STATEMENT

### PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

#### PART I – COMMUNICATION WITH STAKEHOLDERS

- **Continuous Communication between Company and Stakeholders**

The Board recognized the need for transparency and accountability to the Company's shareholders as well as regular communication with its shareholders, stakeholders and investors on the performance and major developments in the Company. The Company ensures that timely releases of the quarterly financial results, press releases and corporate announcements are made to its shareholders and investors, which are clear, unambiguous, succinct, accurate and contains sufficient and relevant information.

In order to maintain its commitment of effective communication with shareholders, the Group embrace the practice of comprehensive, timely and continuing disclosures of information to its shareholders as well as the general investing public.

The practice of disclosure of information is to adopt the best practices recommended in the MCCG with regard to strengthening engagement and communication with shareholders, it is not only established just to comply with the Listing requirements of Bursa Securities.

The Group also endeavour to provide additional disclosures of information on a voluntary basis, where necessary. The management believes that consistently maintaining a high level of disclosure and extensive communication is vital to shareholders and investors in making informed investment decisions.

#### **Leverage on Information Technology for Effective Dissemination of Information**

In its efforts to promote effective communication, the Board recognized that timely and equal dissemination of consistent and accurate information are provided to them through public announcements made throughout the year to Bursa Securities. The shareholders and members of the public are also invited to access the Group's website at [www.hbglob.com](http://www.hbglob.com) for the latest information on the Group.

The quarterly financial results are announced via Bursa Link after the Board's approval. This is important in ensuring equal and fair access to information by the investing public.

Shareholders and investors may also forward their queries to the Company via email to [contact@hbglob.com](mailto:contact@hbglob.com).

#### **Dialogue with Shareholders**

In addition to the dissemination of information to shareholders and other interested parties via announcements to Bursa Securities, its website, circulars and press releases, the Board is of the view that the annual and any extraordinary general meetings as ideal opportunities to communicate with shareholders.

The Chief Executive Officer or the Executive Directors of the Company will brief shareholders on the Company's projects and elaborate further on proposals for which the approval of shareholders is being sought at the general meeting.

Whilst the Company aims to provide as much information as possible to its shareholders, it is also mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

#### PART II – CONDUCT OF GENERAL MEETINGS

- **Encourage Shareholders' Participation at General Meeting**

The Annual General Meeting ("AGM") is the principal forum for dialogue with the shareholders. As recommended by the MCCG, the notice of AGM will be dispatched to shareholders at least twenty eight (28) days before the AGM, to allow shareholders to have additional time to go through the Annual Report and make the necessary attendance and voting arrangements. The notice of AGM, which sets out the business to be transacted at the AGM, is also published in a major local newspaper. The Board will ensure that each item of special business included in the notices of the AGM or extraordinary general meeting is accompanied by a full explanation of the effects of any proposed resolution.



At the AGM, the Board will brief the shareholders on the progress and performance of the Group and the shareholders are encouraged to participate in the questions and answers session there at, where they will be given the opportunity to raise questions or seek more information during the AGM. Informal discussions between the Directors, senior management staff, the shareholders and investors are always active before and after the general meetings.

### **Attendance of Directors at General Meetings**

The tentative dates of the AGM will be discussed and fixed by the Board in advance to ensure that each of the Directors is able to make necessary arrangement to attend the planned AGM.

At the Thirteenth (13th) AGM of the Company held on 7 August 2020, majority of Directors were present in person to engage directly with shareholders, and be accountable for their stewardship of the Company.

### **Poll Voting**

In line with Paragraph 8.29A of the Listing Requirements, the Company will ensure that any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, is voted by poll. At the same time, the Company will appoint at least one (1) scrutineer to validate the votes cast at the general meeting.

### **Effective Communication and Proactive Engagement**

The Group maintains its effective communication with shareholders by adopting timely, comprehensive, and continuing disclosures of information to its shareholders as well as the general investing public and adopts the best practices recommended by the MCCG with regards to strengthening engagement and communication with shareholders.

To this end, the Group relies on the following channels for effective communication with the shareholders and stakeholders:

- i) Interim financial reports to provide updates on the Group's operations and business developments on a quarterly basis;
- ii) Annual audited financial statements and annual report to provide an overview of the Group's state of governance, state of affairs, financial performance and cash flows for the relevant financial year;
- iii) Corporate announcements to Bursa Securities on material developments of the Group, as and when necessary and mandated by the Listing Requirements; and
- iv) Annual General Meetings.

Shareholders and stakeholders may raise their concerns and queries by contacting the Registered Office of the Group, the details of which as provided under the "Corporate Information" section of this Annual Report. The Share Registrar is also available to attend to administrative matters relating to shareholder interests.

### **COMPLIANCE STATEMENT**

Saved as disclosed above, the Board is of the view that the Group has complied with and shall remain committed to attaining the highest possible standards through the continuous adoption of the principles and best practices set out in MCCG and all other applicable laws, where applicable and appropriate.



## STATEMENT OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of financial statements for each financial year to give a true and accurate view of the financial state of the Group and the Company and of the results and cash flows of the Group and the Company for the financial year ended.

In ensuring the preparation of these financial statements, the Directors have observed the following criteria:

- Overseen the overall conduct of the Company's business and that of the Group;
- Identified principal risks and ensured that an appropriate system of internal control exists to manage these risks;
- Reviewed the adequacy and integrity of Internal Controls System and Management Information System in the Company and within the Group;
- Adopted suitable accounting policies and applied them consistently;
- Made judgments and estimates that are reasonable and prudent; and
- Ensured compliance with the applicable approved accounting standards.

The Directors are responsible for ensuring that proper accounting and other records are closed with reasonable accuracy at any time reflecting the financial position of the Group and ensuring that the financial statements comply with the Listing Requirements, applicable approved accounting standards and other legal requirements. The Directors are also responsible for taking such reasonable steps to safeguard the assets of the Group and to minimise fraud and other irregularities.

The Directors are satisfied that in preparing the financial statements of the Group for the financial year ended 31 December 2020, the Group has used the appropriate accounting policies and applied them consistently and supported by reasonable and prudent judgments and estimates. The Directors also consider that all applicable approved accounting standards have been complied with and further confirm that the financial statements have been prepared on a going concern basis.



The Board of Directors ("the Board") of HB Global ("the Company") is pleased to present the Audit Committee Report for the financial year ended 31 December 2020 ("FY2020").

### **Composition of Audit Committee**

In line with the best practices of MCCG, the Board has set up the Audit Committee which comprising exclusively of Independent Non-Executive Directors. The present members of the Audit Committee are as follows:

#### **Chairman**

Yang Chin Shen - Independent Non-Executive Director

#### **Members**

Ho Pui Hold - Independent Non-Executive Director

Khoo Chee Siang - Independent Non-Executive Director

### **Terms of Reference**

The terms of reference of the Audit Committee are as follows:

#### **1. Membership**

- (i) The Audit Committee shall be appointed by the Board.
- (ii) It shall comprise at least three (3) members who must be Non-Executive Directors, with a majority of them being Independent Directors.
- (iii) The Chairman of the Audit Committee shall be appointed by the Audit Committee amongst the members of the Audit Committee themselves and shall be an Independent Director.
- (iv) If the number of members is reduced to below three (3) as a result of resignation or death of a member, or for any other reason(s), the Audit Committee shall, within three (3) months of that event, appoint amongst such other directors, a new member to make up the minimum number required herein.
- (v) At least one (1) member of the Audit Committee:
  - (a) must be a member of the Malaysian Institute of Accountants ("MIA"); or
  - (b) if he/she is not a member of the MIA, he/she must have at least three (3) years working experience and :-
    - he/she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
    - he/she must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
  - (c) must possess such qualifications as may from time to time be prescribed by the Bursa Securities.
- (vi) An alternate director is not eligible for membership in the Audit Committee.

#### **2. Authority**

The Audit Committee is authorised by the Board to investigate any activity within its Terms of Reference. The Audit Committee shall have unlimited access to both the internal auditors and external auditors as well as all employees of the Group. The Audit Committee shall also have the authority to obtain independent legal or other professional advice and to secure attendance of outsiders with relevant experience and expertise if it considers this necessary.





## AUDIT COMMITTEE REPORT (cont'd)

### 3. Duties and Responsibilities

- (i) To review with the internal auditor their audit plans, the reports and the system of internal control.
- (ii) To review the adequacy of scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work.
- (iii) To review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
- (iv) To review the assistance and cooperation given by the Company's management to the external auditor and internal auditor.
- (v) To review the plans of the external auditor of the Company, and their reports arising from the audit.
- (vi) To review the cost effectiveness, independence and objectivity of the external auditor.
- (vii) To review the nature and extent of non-audit services provided by the external auditor.
- (viii) To review the quarterly unaudited condensed financial statements and the year end financial statements of the Group before submission to the Board, focusing particularly on:
  - any changes in accounting policies and practices;
  - any significant and unusual results or events; and
  - compliance with accounting standards and other legal requirements.
- (ix) To review any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- (x) To review with the external auditor their audit report, management letter and Management's response.
- (xi) To recommend to the Board the appointment or reappointment of the external auditor and internal auditor, audit fee, and where applicable, their resignation and dismissal.
- (xii) To undertake such other responsibilities as may be agreed to by the Committee and the Board of Directors.

### 4. Meetings

- (i) The Audit Committee shall hold at least four (4) meetings a year and such additional meeting(s) as the Chairman of the Audit Committee shall decide in order to fulfill its duties.
- (ii) Apart from the members of the Audit Committee who will be present at the meetings, the Audit Committee may invite any member of the Board of Directors, the Management, staff and representatives of the external auditor and internal auditor to be present at the meeting of the Audit Committee.
- (iii) A quorum shall consist of two (2) members. The majority of members present must be Independent Non-Executive Directors.
- (iv) Notices of not less than two (2) working days shall be given for the calling of any meeting to members.
- (v) Matters raised and tabled at all meetings shall be decided by a majority of votes of the members.
- (vi) A resolution in writing, signed by all the members shall be as valid and effective as if it had been deliberated and decided upon at a meeting of the Audit Committee.



- (vii) Proceedings of all meetings held and resolutions passed as referred to in clause (vi) above shall be recorded by the Company Secretary and kept at the Group's registered office.
- (viii) Every member of the Board shall have the right at any time to inspect the minutes of all meetings held and resolutions passed by the Audit Committee and the reports submitted thereat.
- (ix) The external auditors shall have the right to attend and be heard at any meeting and shall attend before the Audit Committee when so required by the Audit Committee.
- (x) Upon the request of the external auditors, the Chairman shall convene a meeting to consider any matters that the external auditors recommend should be brought to the attention of the Directors or shareholders of the Company.
- (xi) Where necessary, the Audit Committee shall meet with the external auditors without the presence of the executive board members of the Group.

A copy of the terms of reference of the Audit Committee can be viewed at the Company's website at [www.hbglob.com](http://www.hbglob.com).

#### **Attendance of Meetings**

During the financial year ended 31 December 2020, the Audit Committee held 4 meetings. Details of the attendance of committee members are as follow:

Name	Attendance	Percentage of Attendance
Yang Chin Shen	4/4	100%
Ho Pui Hold	4/4	100%
Khoo Chee Siang (Appointed 5 November 2020)	N/A	N/A
Sun Shimin (Retired 7 August 2020)	3/3	100%

#### **Summary of Activities**

The main activities that were undertaken by the Audit Committee during the financial year ended 31 December 2020 include the following:

- i) Reviewed the quarterly unaudited financial of the Group and the Company including the announcements pertaining thereto, before recommending to the Board for their approval and release of the Group's results to Bursa Securities;
- ii) Reviewed with external auditors on their audit planning memorandum on the statutory audit of the Group for the financial year ended 31 December 2020;
- iii) Reviewed the annual audited financial statements of the Group before recommending to the Board for their approval and release of the Group's results to Bursa Securities;
- iv) Reviewed and discussed with the external auditors of their audit findings inclusive of system evaluation, audit fees, issues raised, audit recommendations and management's response to these recommendations;
- v) Evaluated the performance of the external auditors for the financial year ended 31 December 2020 covering areas such as calibre, quality processes, audit team, audit scope, audit communication, audit governance and independence and considered and recommended the re-appointment of the external auditors;
- vi) Reviewed and assessed the adequacy of the scope and functions of the internal audit plan;
- vii) Reviewed the internal audit reports presented and considered the findings of internal audit through the review of the internal audit reports tabled and management responses thereof;
- viii) Reviewed the effectiveness of the Group's system of internal control;



## AUDIT COMMITTEE REPORT (cont'd)

- ix) Reviewed the proposed fees for the external auditors and internal auditors in respect of their audit of the Company and the Group;
- x) Reviewed related party transactions and conflict of interest situation that may arise within the Company or the Group;
- xi) Reviewed the Company's compliance with the Listing Requirements, applicable Approved Accounting Standards and other relevant legal and regulatory requirements;
- xii) Reviewed the Audit Committee Report and Statement on Risk Management and Internal Control before recommending to the Board for approval and inclusion in the Annual Report; and
- xiii) Report to the Board on its activities and significant findings and results.

### **Independence of the Audit Committee**

HB Global recognised the need to uphold independence of its external auditors and that no possible conflict of interest whatsoever should arise. Currently, none of the members of the Board nor the Audit Committee of the Company were former key audit partners of the external auditors appointed by the Group. The Company will observe a cooling-off period of at least two (2) years in the event any potential candidate to be appointed as a member of the Audit Committee was a key audit partner of the external auditors of the Group.

### **Training and Financial Literacy of the Audit Committee Members**

Collectively, the members of the Audit Committee have the relevant experience and expertise in finance and accounting, and have carried out their duties in accordance with the Terms of Reference of the Audit Committee. The qualification and experience of the individual Audit Committee members are disclosed in the Directors' Profiles in this Annual Report. During the financial year ended 31 December 2020, the members of the Audit Committee had undertaken the relevant training programmes to keep themselves abreast of the latest development in accounting and auditing standards, statutory laws, regulations and best practices to enable them to effectively discharge their duties. The list of trainings attended is disclosed in the Annual Report.

### **Compliance with Applicable Financial Reporting Standards**

The Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group, and for ensuring that the financial statements comply with the Companies Act of Singapore, Cap.50 ("the Act") and applicable approved accounting standards in Malaysia.

The Board is assisted by the Audit Committee in fulfilling the statutory and fiduciary responsibilities in the assessment and evaluation of the Group's management and financial reports of the performance of business, accounting policies, risk and internal controls.

The Audit Committee serves as an independent party in the review of the financial information presented by Management before distribution to all shareholders and stakeholders. It ensures that the financial statements comply with applicable accounting standards and also provide direction over the internal audit function and relationship with the external auditors to ensure independence from Management.

The interim financial reports, annual audited financial statements and annual report of the Group for the financial year ended 31 December 2020 are prepared in accordance with all applicable accounting policies.



### **Internal Audit Functions and Activities**

The Group has appointed an established external professional Internal Audit firm, which reports to the Audit Committee and assists the Audit Committee in reviewing the effectiveness of the internal control systems whilst ensuring that there is an appropriate balance of controls and risks throughout the Group in achieving its business objectives.

The Group has outsourced its Internal Audit Function to an external professional Internal Audit firm, GovernanceAdvisory.com Sdn. Bhd. GovernanceAdvisory.com Sdn. Bhd is staffed by a total of eight (8) professionals and it is led by Mr. Jason Tee the Executive Director of GASB. He holds a Bachelor of Commerce (Hons) in Accounting and also an Associate Member of Institute of Internal Auditors Malaysia ("IIAM"). The Internal Audit firm appointed by the Company is independent of activities related to business operations and performs its duties in accordance with standards set by relevant professional bodies, namely Institute of Internal Auditors.

Internal audit provides independent assessment on the effectiveness and efficiency of internal controls utilising a global audit methodology and tool to support the corporate governance framework and an efficient and effective risk management framework to provide assurance to the Audit Committee.

The Audit Committee approves the internal audit plan during the first Audit Committee meeting of each financial year. Any subsequent changes to the internal audit plan are approved by the Audit Committee. The scope of internal audit covers the audits of all units and operations, including subsidiaries as stated in the letter of engagement.

The cost incurred for the Internal Audit function during the financial year is approximately RM20,000.

During the financial year, the internal auditors performed internal audit review of collection function on Shandong Hengbao Foodstuffs Co. Ltd. in discharge of its responsibilities.



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### Introduction

Pursuant to Paragraph 15.26(b) of the Listing Requirements, the Board of Directors of HB Global Limited is pleased to report on its Statement on Risk Management and Internal Control, which provides an overview of the nature and state of risk management and internal controls of Group during the financial year under review and up to the date of approval of this statement by the Board. This statement is guided by the latest Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

### Board Responsibility

The Board acknowledges its overall responsibility for the Group's internal control and risk management systems to safeguard shareholders' investments and the Group's assets and for reviewing the adequacy and integrity of such systems. The Board ensures the effectiveness of such systems through regular quarterly reviews. These responsibilities are delegated to the Audit Committee which is empowered by their terms of reference which had been approved by the Board.

Due to inherent limitations in the systems of internal control and risk management, such systems can only manage rather than eliminate all risks of failure to achieve business objectives, and as such, can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board through its Audit Committee has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and this process includes enhancing the risk management and internal control system as and when there are changes to the business environment and regulatory requirements. The process is reviewed by the Board and the Audit Committee on a periodic basis.

Management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced by the Group, and in the design and operation of suitable internal controls to mitigate these risks identified.

The Board is of the view that the risk management and internal control system in place for the year under review and up to the date of issuance of the annual report is adequate and effective to safeguard the shareholders' investment, the interests of customers, regulators, employees and the Group's assets.

### KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The key features of the internal control systems which are operated with the assistance of the management are described under the following headings:

#### a) Risk Management Framework

The Board recognises the need for effective risk management and to maintain a sound system of internal control. Risk management is an integral part of the Group's business operations and this process goes through a review process by the Board. Discussions have been conducted during the year involving different levels of managements to identify and address risks faced by the Group. These risks were summarised and included in the Group's risk management report. The Group has an ongoing process for identifying, evaluating and managing the significant risks faced by the Group throughout the financial year under review by the management. This is to ensure that all high risks are adequately addressed at various levels within the Group.

#### b) Internal Control System

The Board is committed to maintaining a sound internal control structure to govern the manner in which the Group and its employees conduct themselves. The key elements of controls are:

- (i) the responsibilities of the Board and the management are clearly defined in the organisational structure to ensure the effective discharge of the roles and responsibilities of the parties in overseeing the conduct of the Group's business;
- (ii) the formation of operational policies and procedures by the management with a view to establishing group wide operational standards in order for all operating units to work cohesively towards achieving the business objectives of the Group. For accounting systems and financial processes, efforts are being taken to ensure consistency in the Group as a whole;



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

- (iii) frequent on-site visits to the operating units by senior management so as to acquire a first-hand view on various operational matters and to address the issues accordingly;
- (iv) the Board gathers and reviews key financial and operating statistics from time to time and constantly keeps track and monitor the achievement of the Group's performance; and
- (v) the Audit Committee reviews on a quarterly basis of the quarterly unaudited financial results to monitor the Group's progress towards achieving the Group's business objectives. Authority is given to the Audit Committee members to investigate and report on any areas of improvement for the betterment of the Group.

### (c) Internal Audit Function

The Group's Internal Audit Function assists the Board and Audit Committee by providing an independent assessment of the adequacy and effectiveness of the Group's internal control system.

The Group has outsourced its internal audit function to GovernanceAdvisory.com Sdn. Bhd., an independent professional internal audit firm. The Internal Auditors supports the Audit Committee, and by extension to the Board by providing independent assurance on the effectiveness of the Group's system of internal control.

The internal audit plan which reflects the identified risk was reviewed and approved by the Audit Committee. All reports from the internal audit reviews, and corrective actions undertaken by Management were presented to the Audit Committee. None of the weaknesses noted may resulted in any material losses, contingencies or uncertainties that have any material impact to the financial statements of the Group.

In performing the internal audit review, the Internal Auditors refer to and are guided by The International Professional Practices Framework (IPPF) that includes the Definition of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

### Review of the Statement by External Auditors

The external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report for the financial year ended 31 December 2020. Based on their review, the external auditors have reported to the Board that nothing had come to their attention that causes them to believe that this Statement on Risk Management and Internal Control is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls and risk management, except for some improvement points highlighted to the Board in regards to certain internal control deficiencies. The Board has responded that the Company and the Group will improve on those internal controls.

### Management's Assurance

The Chief Financial Officer and the Executive Directors, representing the management, have given reasonable assurance to the Board that the Group's risk management and internal control systems are adequate and effective, in all material aspects, based on the risk management and internal controls adopted by the Group and similar assurance given by the respective heads of operations.

### Board Conclusion

For the financial year under review, there were no significant internal control deficiencies or material weaknesses resulting in material losses or contingencies requiring disclosure in the Annual Report. The Board is of the view that the existing Group's system of risk management and internal control is adequate to safeguard shareholders' investments and the Group's assets. However, the Board is also cognizant of the fact that the Group's system of risk management and internal control practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the Group's system of internal control and risk management framework.



## OTHER DISCLOSURE REQUIREMENTS PURSUANT TO THE LISTING REQUIREMENTS OF BURSA SECURITIES

### 1. UTILISATION OF PROCEEDS FROM CORPORATE EXERCISE

During the financial year, there were no proceeds raised by the Company from any corporate proposals.

### 2. AUDIT AND NON-AUDIT FEES PAID TO EXTERNAL AUDITORS

During the financial year, the amount of audit and non-audit fees paid/payable to the external auditors by the Company and the Group respectively for the financial year ended 31 December 2020 were as follows:

	Company (RMB'000)	Group (RMB'000)
Audit Services Rendered	15	374
Non-Audit Services Rendered	53	53
Total	68	426

### 3. MATERIAL CONTRACTS

During the financial year, there were no material contracts entered into by the Company and its subsidiary involving Directors' and major shareholders' interests.

### 4. CONTRACTS RELATING TO LOAN

During the financial year, there were no material contracts relating to loans entered into by the Company involving Directors and major shareholders.

### 5. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE AND TRADING NATURE

Save for such disclosure made in note 29 to the audited consolidated financial statements in this Annual Report, there were no material recurrent related party transactions of revenue nature during the financial year ended 31 December 2020.

# FINANCIAL STATEMENTS



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## DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited consolidated financial statements of HB Global Limited (the "Company" and collectively with its subsidiaries, the "Group") for the financial year ended 31 December 2020 and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2020.

### OPINION OF THE DIRECTORS

In the opinion of the directors,

- (a) the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due. This is based on the following premises:
  - (i) the ready-to-serve food and frozen vegetables business of the Group is expected to generate sufficient cash flows to meet operating costs and service interest payments on the bank loans;
  - (ii) the lender banks will be supportive of the Group continuing in operational existence; and
  - (iii) the Company's substantial shareholder, who is also a director of the Company, will provide such financial support as is necessary to enable the Group and the Company to fulfil their financial obligations as and when they fall due.

### DIRECTORS OF THE COMPANY

The directors of the Company in office at the date of this statement are:

Shen Hengbao-Chief Executive Officer

Yang Chin Shen

Ho Pui Hold

Khoo Chee Siang

(appointed on 2 September 2020)

Dato' Chow Chin Kiat

(appointed on 1 October 2020)

Lee Ping Wei

(appointed on 8 February 2021)

Keh Chuan Seng

(appointed on 10 February 2021)

### ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year did there subsist any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the register of directors' shareholdings kept by the Company under section 164 of the Singapore Companies Act, Chapter 50, none of the directors holding office at the end of the financial year had any interests in the shares or debentures of the Company or its related corporations, except as follows:



Name of directors and companies in which interests are held	Held in the name of directors		Deemed interest	
	At beginning of financial year	At end of financial year	At beginning of financial year	At end of financial year
<b>The Company</b> <u>HB Global Limited</u> (No. of ordinary shares) Shen Hengbao	-	-	267,202,000	35,536,000

## SHARE OPTIONS

During the financial year, no options to subscribe for unissued shares of the Company or its subsidiaries were granted.

During the financial year, there were no shares of the Company or its subsidiaries issued by virtue of the exercise of an option to take up unissued shares.

At the end of the financial year, there were no unissued shares of the Company or its subsidiaries under option.

## AUDIT COMMITTEE

The members of the Audit Committee ("AC") at the date of this statement are as follows:

Yang Chin Shen - Chairman  
Ho Pui Hold – Member  
Khoo Chee Siang – Member

The Audit Committee has carried out its function in accordance with Section 201B(5) of the Singapore Companies Act, Bursa Malaysia Securities Berhad Main Market Listing Requirements ("MMLR") and the Code of Corporate Governance.

The primary duties and responsibilities of the AC are as follows:

- (i) To review audit plans of the internal and external auditors of the Company, and review the internal auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Company's management to the external and internal auditors;
- (ii) To review quarterly and annual financial statements and the auditor's report on the annual financial statements of the Company before their submission to the Board;
- (iii) To review the effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors;
- (iv) To meet with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- (v) To review legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- (vi) To review the cost effectiveness and the independence and objectivity of the external auditors;
- (vii) To recommend to the Board the nomination of external auditors, approve the compensation of the external auditors and review the scope and results of the audit;
- (viii) To report actions and minutes of the AC to the Board with such recommendations as the AC considers appropriate; and
- (ix) To review interested person transactions.



## DIRECTORS' STATEMENT (cont'd)

The AC is authorised by the Board to investigate any activities within its Terms of Reference. The AC has unlimited access to both internal auditors and external auditors as well as all employees of the Group. The AC also has the authority to obtain independent legal or other professional advice and to secure attendance of outsiders with relevant experience and expertise if it considers this necessary.

The AC has conducted a review of interested person transactions. The AC has held 4 meetings during the financial year. The AC has also met with external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Corporate Governance Statement and Audit Committee Report in the Annual Report of the Company.

### INDEPENDENT AUDITOR

The independent auditor, UHY Lee Seng Chan & Co, has expressed its willingness to accept re-appointment.

On behalf of the directors,

Shen Hengbao  
Director

Dato' Chow Chin Kiat  
Director

28 April 2021

**STATUTORY DECLARATION**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020



Pursuant to Paragraph 9.27 of the Main Market Listing Manual Requirements of Bursa Malaysia Securities Berhad:

I, Mr Ang Kong Siang, being the officer primarily responsible for the financial management of HB Global Limited, do solemnly and sincerely declare that the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company, are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declaration Act, 1960.

Subscribed and solemnly declared by the above mentioned  
At Malaysia on

This day of 28 April 2021

Ang Kong Siang

Before me

Commissioner for Oaths



# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HB GLOBAL LIMITED

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of HB Global Limited (the Company) and its subsidiaries (collectively the Group), which comprise the statements of financial position of the Group and of the Company as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act), and Singapore Financial Reporting Standards (International) [(SFRS(I)s)] which are simultaneously compliant with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the financial year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	Our audit procedures to address the matter
<p><b>Impairment of property, plant and equipment and land use rights</b></p> <p>As at 31 December 2020, property, plant and equipment and land use rights with carrying amounts of RMB210,577,000 and RMB74,596,000 constituted approximately 50.2% and 17.8% of the total assets of the Group respectively.</p> <p>During the current financial year, the Group carried out a review of the recoverable amounts of its property, plant and equipment and land use rights due to possible indicators for impairment.</p> <p>The valuation process and impairment review involves significant judgement in determining the appropriate valuation methods to be used, and in estimating the key underlying assumptions to be applied.</p> <p>These critical judgement and significant estimation are disclosed in Note 3.2 to the financial statements.</p>	<p>Our audit procedures focused on evaluating the appropriateness and adequacy of the impairment assessment for property, plant and equipment and land use rights. These procedures included:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the impairment review done by management with the assistance of a valuer;</li> <li>• Comparing actual property, plant and equipment replacement costs to previous costs and the fair value of the land use rights to market data and assessing the quantum of available headroom; and</li> <li>• Challenging the key assumptions used by management in the valuation process and impairment review.</li> </ul>

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HB GLOBAL LIMITED (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020



## Key Audit Matters (continued)

Key Audit Matter	Our audit procedures to address the matter
<p><b>Advance payments for land use rights</b></p> <p>As at 31 December 2020, included in prepayments are advance payments for land use rights with cost and carrying amount of RMB159,429,000 and RMB77,330,000 respectively, net of impairment loss of RMB82,099,000, which constituted approximately 18.4% of the Group's total assets.</p> <p>These land use rights are still pending their certificates to be issued by the relevant authorities in the Province.</p> <p>Accordingly, these land use rights are being classified as prepayments. The impairment loss of these land use rights arising from the valuation carried out for property, plant and equipment and land use rights are detailed in Note 3.2 to the financial statements.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• Sighting the original agreements signed between the Group and the Juxian Province Bureau of Land and Resources (the "Authorities") for the acquisition of these land use rights;</li> <li>• Performed physical sighting of the sites relating to these land use rights; and</li> <li>• Inquiry with management on the delay by the Authorities in issuing the certificates for these land use rights and conveyed management's explanations to the Audit Committee which considered them to be satisfactory.</li> </ul>

## Other information

Management is responsible for the other information. The other information comprises all the sections of the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s which are simultaneously compliant with IFRSs issued by the IASB, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HB GLOBAL LIMITED (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HB GLOBAL LIMITED (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020



## Other Reporting Responsibilities

The supplementary information set out in Note 34 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

## Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Tang Boon Sun.

## UHY Lee Seng Chan & Co

Public Accountants and  
Chartered Accountants

## Singapore

28 April 2021





## STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	Group		Company	
		2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and bank balances	4	182	1,574	8	8
Trade and other receivables	5	47,242	59,336	8	8
Prepayments	6	77,340	66,434	-	-
Inventories	7	9,823	10,802	-	-
		134,587	138,146	16	16
<b>Non-current assets</b>					
Investments in subsidiaries	8	-	-	172,800	172,800
Property, plant and equipment	9	210,577	280,577	-	-
Land use rights	10	74,596	62,512	-	-
		285,173	343,089	172,800	172,800
<b>Total assets</b>		419,760	481,235	172,816	172,816
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Other payables	11	19,342	19,115	9,971	10,115
Amounts due to ex-shareholders of the Company	12	-	3,061	-	3,061
Amounts due to a shareholder of the Company	13	3,276	-	3,276	-
Amounts due to directors	14	32,790	13,429	30,589	8,393
Bank loans	15	68,561	83,170	-	-
		123,969	118,775	43,836	21,569
<b>Non-current liabilities</b>					
Amounts due to directors	14	-	20,976	-	20,976
<b>Total liabilities</b>		123,969	139,751	43,836	42,545
<b>NET ASSETS</b>		295,791	341,484	128,980	130,271
<b>EQUITY</b>					
Share capital	16	146,161	146,161	146,161	146,161
Capital reserve	17	(16,844)	(16,844)	-	-
Equity contribution reserve	18	-	8,237	-	-
Statutory reserve	19	76,090	76,090	-	-
Retained earnings/ (Accumulated losses)		90,384	127,437	(17,181)	(15,890)
		295,791	341,081	128,980	130,271
Non-controlling interests		-	403	-	-
<b>Total equity</b>		295,791	341,484	128,980	130,271

The accompanying notes form an integral part of these financial statements.



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 RMB'000	2019 RMB'000
<b>Revenue</b>	20	97,880	157,481
Cost of sales		(97,200)	(112,659)
<hr/>			
Gross profit		680	44,822
Other income	21	45,566	9,166
Selling and distribution expenses		(1,193)	(2,075)
Administrative expenses		(27,025)	(27,865)
Other expenses	22	(58,912)	-
Finance costs	23	(4,377)	(7,215)
Loss from disposal of subsidiaries	8	(29)	-
<hr/>			
<b>(Loss)/ Profit before income tax</b>	24	(45,290)	16,833
Income tax expense	25	-	-
<hr/>			
<b>(Loss)/Profit for the year, representing total comprehensive (loss)/income for the year</b>		(45,290)	16,833
<hr/>			
<b>Total comprehensive (loss)/income attributable to:</b>			
Owners of the Company		(45,290)	16,834
Non-controlling interests		-	(1)
<hr/>			
		(45,290)	16,833
<hr/>			
<b>(Loss)/Earnings per share (RMB cents per share)</b>			
Basic	26	(9.68)	3.60
<hr/>			
Diluted	26	(9.68)	3.60
<hr/>			

The accompanying notes form an integral part of these financial statements.



## STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Group	Share capital	Capital contribution reserve	Equity reserve	Statutory reserve	Retained earnings	Attributable to owners of the Company	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2019	146,161	(16,844)	8,237	76,090	110,603	324,247	404	324,651
Profit for the year, representing total comprehensive income for the year	-	-	-	-	16,834	16,834	(1)	16,833
Balance at 31 December 2019	146,161	(16,844)	8,237	76,090	127,437	341,081	403	341,484
Loss for the year, representing total comprehensive loss for the year	-	-	-	-	(45,290)	(45,290)	-	(45,290)
Derecognised of equity contribution reserve	-	-	(8,237)	-	8,237	-	-	-
Non-controlling interests on disposal of subsidiaries	-	-	-	-	-	-	(403)	(403)
Balance at 31 December 2020	146,161	(16,844)	-	76,090	90,384	295,791	-	295,791
<b>Company</b>								
Balance at 1 January 2019	146,161	-	-	-	(12,965)	-	-	133,196
Loss for the year, representing total comprehensive loss for the year	-	-	-	-	(2,925)	-	-	(2,925)
Balance at 31 December 2019	146,161	-	-	-	(15,890)	-	-	130,271
Loss for the year, representing total comprehensive loss for the year	-	-	-	-	(1,291)	-	-	(1,291)
Balance at 31 December 2020	146,161	-	-	-	(17,181)	-	-	128,980

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020



	Note	2020 RMB'000	2019 RMB'000
<b>Cash flows from operating activities</b>			
(Loss)/Profit before income tax		(45,290)	16,833
Adjustments for:			
Depreciation of property, plant and equipment	24	15,715	16,535
Amortisation of land use rights	24	1,495	1,496
Property, plant and equipment written off	22	56,353	-
Impairment loss on property, plant and equipment	22	1,867	-
Inventories written down	22	692	-
Reversal of accrued interest	21	(345)	-
Reversal of impairment loss on advance payments of land use rights	21	(11,090)	-
Reversal of impairment loss on trade receivables	21	(1,556)	(8,536)
Reversal of impairment loss on land use rights	21	(13,579)	-
Reversal of impairment loss on property, plant and equipment	21	(3,200)	-
Loss from disposal of subsidiaries	8	29	-
Income from waiver of bank borrowing	21	(14,400)	-
Interest expense	23	4,377	7,215
Unrealised foreign exchange (gain)/loss		(1,245)	936
		<hr/>	<hr/>
Operating (loss)/profit before working capital changes		(10,177)	34,479
<b>Changes in working capital</b>			
Trade and other receivables		9,809	16,728
Inventories		287	4,507
Other payables		717	(12,829)
		<hr/>	<hr/>
Net cash from operating activities		636	42,885
		<hr/>	<hr/>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	9	(735)	(23,530)
Disposal of subsidiaries, net of cash disposed of	8	(8)	-
		<hr/>	<hr/>
Net cash used in investing activities		(743)	(23,530)
		<hr/>	<hr/>
<b>Cash flows from financing activities</b>			
Advances/(Repayment of borrowings) from directors		2,188	(8,319)
Repayment of borrowings from ex-shareholders		-	(3,478)
Repayment of bank loans		(209)	(1,040)
Interest paid		(3,264)	(5,052)
		<hr/>	<hr/>
Net cash used in financing activities		(1,285)	(17,889)
		<hr/>	<hr/>
Net change in cash and cash equivalents		(1,392)	1,466
Cash and cash equivalents at beginning of year		1,574	108
		<hr/>	<hr/>
Cash and cash equivalents at end of year	4	182	1,574
		<hr/>	<hr/>

The accompanying notes form an integral part of these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 1. General

### 1.1 Corporate information

The Company is incorporated and domiciled in the Republic of Singapore with its registered office located at 80 Robinson Road, #17-02, Singapore 068898. The address of the principal place of business of the Group is Weifang Road, Juxian Industry Garden, Ju County, Rizhao City, Shandong Province, People's Republic of China ("PRC").

The Company has another registered office at Level 5, Block B, Dataran PHB, Saujana Resort Section U2, 40150, Shah Alam, Selangor, Malaysia. The Company is listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

The principal activities of the Company are those relating to investment holding. The principal activities of the subsidiaries are described in Note 8 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The financial statements for the financial year ended 31 December 2020 were authorised for issue by the Board of Directors on 28 April 2021.

### 1.2 Fundamental accounting concept

As at 31 December 2020, the Group's current liabilities include bank loans of RMB68,561,000 (2019: RMB83,170,000) which are contractually due for repayment within 12 months from the end of the reporting period. Should the Group not be able to rollover its existing bank loans or alternative refinancing of the bank loans be unsuccessful, the Group and the Company may not have sufficient cash to fulfil obligations at the relevant repayment dates. This may impede continuation of the Group's current business operation.

Notwithstanding these conditions, the financial statements have been prepared on a going concern basis based on the following premises:

- The business of the Group is expected to generate sufficient cash flows to meet operating costs and service interest payments on the bank loans;
- RMB41,581,000 out of total bank loans are currently negotiating for waiver by local government with lender banks. Remaining loans will expect to be rollovered by the lender banks for the Group; and
- The Company's substantial shareholder will provide such financial support as is necessary to enable the Group and the Company to fulfil their financial obligations as and when they fall due.

If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

### 2. Summary of significant accounting policies

#### 2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ["SFRS(I)s"] which are simultaneously compliant with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The Group's principal operations are conducted in the People's Republic of China ("PRC") and hence the financial statements are presented in renminbi ("RMB"), which is the functional currency of the Company. All financial information presented in RMB is rounded to the nearest thousand ("RMB'000"), unless otherwise stated.

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. The areas where estimates and assumptions are significant or critical to the financial statements are disclosed in Note 3 to the financial statements.

#### 2.2 Adoption of new and amended standards and interpretations

On 1 January 2020, the Group 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 Group'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 Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

#### 2.3 Financial instruments

##### (a) Financial assets

###### Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

### 2. Summary of significant accounting policies (continued)

#### 2.3 Financial instruments (continued)

##### (a) Financial assets (continued)

###### Subsequent measurement

###### *Investments in debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are amortised cost, FVOCI and FVPL. The Group only has debt instruments at amortised cost.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through the amortisation process.

###### Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

##### (b) Financial liabilities

###### Initial recognition and measurement

Financial liabilities are recognised when and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at FVPL, directly attributable transaction costs.

###### Subsequent measurement

After initial recognition, financial liabilities that are not carried at FVPL are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

###### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

### 2. Summary of significant accounting policies (continued)

#### 2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances. Detailed information on the subsidiaries is disclosed in Note 8 to the financial statements.

The Group was formed as a result of a restructuring exercise undertaken on 25 September 2009 for the purpose of the Group's listing on the main market of Bursa Securities. The acquisition of 100% equity in the subsidiary, namely Shandong 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 had existed 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.

All intragroup balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date.

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Group. They are shown separately in the statements of financial position, consolidated statement of comprehensive income and statements of changes in equity. Total comprehensive income is attributed to the non-controlling interest based on their respective interests in a subsidiary, even if the subsidiary incurred losses and the losses allocated exceed the non-controlling interest in the subsidiary's equity.

Consolidation of the subsidiaries in the PRC is based on the subsidiaries' financial statements prepared in accordance with SFRS(I). Profits reflected in the financial statements prepared in accordance with SFRS(I) may differ from those reflected in the PRC statutory financial statements of the subsidiaries, prepared for PRC reporting purposes. In accordance with the relevant laws and regulations, profits available for distribution by the PRC subsidiaries are based on the amounts stated in the PRC statutory financial statements respectively.

#### 2.5 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.





# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

## 2. Summary of significant accounting policies (continued)

### 2.5 Property, plant and equipment (continued)

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

Leasehold buildings and infrastructure	25 years
Plant and machinery	10 years
Furniture, fittings and equipment	5 years
Motor vehicles	5 years
Other facilities	10 – 15 years
Renovation	3 years

Construction-in-progress, which represents factory premises and buildings under construction, is stated at cost less any impairment losses. Cost comprises direct costs incurred during the periods of construction, installation and testing. Capitalisation of these costs ceases and construction-in-progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed and the assets are available for use.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

The residual values, useful lives and depreciation methods of property, plant and equipment are reviewed, and adjusted prospectively, if appropriate, at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the financial year the asset is derecognised.

### 2.6 Borrowing costs

Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### 2.7 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and impairment losses, if any. The land use rights are amortised on straight-line basis, over the land lease term of 38 to 50 years.

### 2.8 Subsidiaries

A subsidiary is an investee controlled by the Company and its subsidiaries. The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

### 2. Summary of significant accounting policies (continued)

#### 2.9 Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment which could affect the debtors' ability to pay.

The Group considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For cash and cash equivalents and other receivables, the general 3 stage approach is applied. Credit loss allowance is based on 12-month expected credit loss if there is no significant increase in credit risk since initial recognition of the assets. If there is a significant increase in credit risk since initial recognition, lifetime expected credit loss will be calculated and recognised.

#### 2.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, (or, where applicable, when an annual impairment testing for an asset is required), the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

### 2. Summary of significant accounting policies (continued)

#### 2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on the weighted average cost method.
- Finished goods and work-in-progress: costs of raw materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average cost basis and exclude borrowing costs.

Where necessary, allowance is provided for damaged, obsolete and slow-moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

#### 2.12 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of assets (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

#### 2.13 Taxes

##### (a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

##### (b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

### 2. Summary of significant accounting policies (continued)

#### 2.13 Taxes (continued)

##### (c) Value added tax ("VAT")

Revenues, expenses and assets are recognised net of the amount of VAT, except:

- Where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of the receivables or payables in the statements of financial position.

#### 2.14 Currency translation

##### Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements of the Group are presented in renminbi.

##### Translations and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Currency translation of monetary assets and liabilities denominated in foreign currencies at the closing exchange rates at the end of the reporting period are recognised in profit or loss, except for currency translation differences on the net investment in foreign operations, borrowings in foreign currencies and other currency instruments designed and qualifying as net investment hedges for foreign operations, which are included in other comprehensive income and accumulated in the foreign currency translation reserve within equity.

When a foreign operation is disposed of or any borrowings forming part of the net investment of the foreign operation are acquired, a proportionate share of the accumulated translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the date when the fair values are determined. Currency translation differences on non-monetary items whereby gains or losses are recognised in other comprehensive income, such as equity investments classified at fair value through other comprehensive income financial assets are included in the fair value reserve.

##### Translation of Group entities' financial statements

The results and financial position of Group entities that are in functional currencies different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities are translated at the closing exchange rates at the reporting date;
- (ii) Income and expenses are translated at average exchange rates;
- (iii) All resulting currency exchange differences are recognised in other comprehensive income and accumulated in currency translation reserve within equity. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

### 2. Summary of significant accounting policies (continued)

#### 2.15 Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation ("PO") by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A PO may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

##### Sale of goods - Ready-to-serve food and frozen vegetables

The Group sold its ready-to-serve food and frozen vegetables to its distributors. Contract is identified with customers with reference to the sales contract signed by both parties. Upon receipt of acknowledged delivery orders from customers, the person in charge of invoicing customers will generate sales invoice with reference to the per price list stipulated in the sales contract and delivery order documents for items sold.

Revenue from goods sold in the ordinary course of business is recognised when the Group satisfies a PO by transferring control of a promised good to the customer. Revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO on the basis of the relative stand-alone selling prices of the promised good excludes sales taxes. Trade discounts or variable considerations are allocated to one or more, but not all, of the POs if they relate specifically to those POs.

Transaction price is the amount of consideration in the contract to which the Group expects to be entitled to in exchange for transferring the promised goods. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. When consideration is variable, the estimate amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

##### Rental income

Rental income arising from operating lease is accounted for on a straight-line basis over the lease term. Lease incentives granted are recognised as an integral part of the total rental income over the term of the lease.

#### 2.16 Employee benefits

##### **Employee leave entitlements**

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for annual leave is recognised for services rendered by employees up to the end of the reporting period.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

### 2. Summary of significant accounting policies (continued)

#### 2.16 Employee benefits (continued)

##### Pension obligations

The Group participate in the defined contribution national pension and other welfare schemes as provided by the laws of the countries in which it has operations.

Contributions to defined contribution plans are recognised in the same financial year as the employment that gives rise to the contributions.

Pursuant to the relevant regulations of the PRC government, a subsidiary of the Group in the PRC participates in a local municipal government retirement benefits scheme (the "Scheme"), whereby the subsidiary is required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiary.

The only obligation of the subsidiary with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. Contributions under the Scheme are charged to profit or loss as incurred.

#### 2.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

#### 2.18 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank balances that are readily convertible to known amount of cash (other than foreign currencies as disclosed in Note 4) and which are subject to an insignificant risk of changes in value.

#### 2.19 Share capital

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

#### 2.20 Financial guarantees

The Group has issued corporate guarantees to banks for bank borrowings granted to third parties. These guarantees are financial guarantees as they require the Group to reimburse the banks if the entities fail to make principal or interest payments when due in accordance with the terms of their respective borrowings.

Financial guarantee contracts are initially measured at fair value plus transaction costs and subsequently measured at the higher of:

- (a) premium received on initial recognition less amortisation over the period of the third parties' borrowings; and
- (b) at the expected amount payable to the banks in the event it is probable that the Group will reimburse the banks for an amount higher than the unamortised amount in (a).



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

## 2. Summary of significant accounting policies (continued)

### 2.21 Segment reporting

An operating segment is a distinguishable component of the Group that engages in business activities from which it may earn revenue and incur expenses (including revenue and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

## 3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2 to the financial statements, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### 3.1 Judgements made in applying the Group's accounting policies

In the process of applying the Group's accounting policies which are described in Note 2 above, management had made the following judgements, apart from those involving estimates, which have the most significant effect on the amounts recognised in the financial statements:

#### Environmental remediation

The Group has not incurred any expenditure for environmental remediation and is currently not involved in any environmental remediation, and has not accrued any amounts for environmental remediation relating to its operations. Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. However, the PRC government may move further towards more rigorous enforcement of applicable laws, and the adoption of more stringent environmental standards. The outcome of environmental liabilities under proposed or future environmental legislation cannot be reasonably estimated at present and hence not provided for in the financial statements.

### 3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### (a) Provision for expected credit losses ("ECLs") of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 31.2.

The carrying amount of the Group's trade receivables as at 31 December 2020 is RMB47,234,000 (2019: RMB59,328,000).



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

### 3. Critical accounting judgements and key sources of estimation uncertainty (continued)

#### 3.2 Key sources of estimation uncertainty (continued)

##### (b) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for property, plant and equipment, land use rights and advance payments of land use rights in accordance with the accounting policy in Note 2.

As disclosed in Note 9 to the financial statements, the Group conducted a review of the recoverable amount of its property, plant and equipment.

The Group's management performed a valuation of property, plant and equipment, land use rights and advance payments of land use rights to determine their fair values. Management adopted the replacement cost method to value these property, plant and equipment. The valuation which involves significant estimation is based on the estimates of the gross replacement costs of the property, plant and equipment, from which appropriate deductions may then be made to allow for the age, condition, economic and functional obsolescence and environmental factors. The review led to the recognition of a reversal of impairment loss of RMB3,200,000 (2019: Nil) and an impairment loss of RMB1,867,000 (2019: Nil) being made in profit or loss.

For advance payments of land use rights and land use rights, management had adopted the market approach technique to value these non-financial assets as disclosed in Notes 6 and 10 to the financial statements. The values of land use rights are derived by analysing prices of similar land use rights transacted recently and making adjustments based on differences in land sizes and useful lives of these land use rights. The review led to a reversal of impairment loss of RMB11,090,000 (2019: Nil) for advance payments of land use rights and a reversal of impairment loss of RMB13,579,000 (2019: Nil) for land use rights required to be made.

The carrying amounts of advance payments of land use rights, property, plant and equipment and land use rights are disclosed in Notes 6, 9 and 10 to the financial statements.

##### (c) Income tax expense

The Group has exposure to income tax in the PRC. Significant judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made. The Group's income tax expense is disclosed in Note 25 to the financial statements.

The PRC subsidiaries make tax submissions to the local tax authorities in accordance with interpretations and local practices. Management has assessed and concluded that all tax submissions to local tax authorities had since been finalised and hence are appropriate. Accordingly, management is of the view that there are no further tax and related liabilities as at the end of the reporting period.

As at 31 December 2020, the Group did not recognise deferred tax assets in relation to unutilised tax losses due to uncertainty over the availability of future taxable profit against which the Group can utilise such benefit.

##### (d) Depreciation of property, plant and equipment

Management estimates the useful lives of property, plant and equipment to be within 3 to 25 years. These are common life expectancies applied in the relevant industry. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets. Hence, future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment is disclosed in Note 9 to the financial statements.





## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

#### 4. Cash and cash equivalents

	Group		Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Cash and bank balances	182	1,574	8	8

The renminbi is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange renminbi for foreign currencies through banks that are authorised to conduct foreign exchange business. These regulations place restriction on the amount of currency being exported other than through dividends.

#### 5. Trade and other receivables

	Group		Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Trade receivables				
- third parties	47,416	61,066	-	-
- impairment allowance (Note 31.2)	(182)	(1,738)	-	-
	47,234	59,328	-	-
Other receivables				
- refundable deposits	8	8	8	8
	47,242	59,336	8	8

The average credit period given to trade receivables is 120 (2019: 120) days.

Allowance for impairment on trade receivables is determined based on management's assessment of collectability and by reference to past default experience.

There is no other class of financial asset that is past due and/or impaired except for trade receivables.

##### Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL is as follows:

	Group	
	2020 RMB'000	2019 RMB'000
Balance at 1 January	1,738	10,274
Reversal of allowance made (Note 21)	(1,556)	(8,536)
Balance at 31 December	182	1,738



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

**6. Prepayments**

	Group	
	2020 RMB'000	2019 RMB'000
Advance payments	159,429	159,429
Others	10	21
Prepaid rental	-	173
Less: Impairment loss on advance payments of land use rights	(82,099)	(93,189)
	77,340	66,434

Movements in impairment loss on advance payment of land use rights:

	Group	
	2020 RMB'000	2019 RMB'000
Balance at beginning	93,189	93,189
Reversal of impairment loss (Note 21)	(11,090)	-
	82,099	93,189

Advance payments relate to up-front payments for the acquisition of land use rights. As at the end of the reporting period, the subsidiaries are still in the process of obtaining the certificates of these land use rights for the following plots of land:

	Location	Tenure	Total land area (Square Meters)
i)	Ju County Anzhuang Dong Cun, Bei Cun (莒县安庄东村, 北村)	50 years from 2 July 2012	42,182
ii)	Ju County Anzhuang Town, Xiao Ma Jia Yu Cun, Huang Jia He Cun, Da Xian Fu Cun (莒县安庄镇小马家峪村, 黄家河村, 大咸服村)	50 years from 2 July 2012	58,038
iii)	Ju County Xia Zhuang Liu Jia Miao Jiang Cun (莒县夏庄刘家苗蒋村)	50 years from 2 July 2012	43,172
iv)	Ju County Xia Zhuang Sun Jia Po Cun (莒县夏庄孙家坡村)	50 years from 2 July 2012	69,600
v)	Ju Country Qishan Shi Quan Guan Zhuang Cun (莒县碁山石泉官庄村)	50 years from 2 March 2013	80,000
vi)	Ju Country Qishan Shi Quan Guan Zhuang Cun (莒县碁山石泉官庄村)	50 years from 3 April 2013	56,666.67
vii)	Ju Country Qishan Shi Quan Guan Zhuang Cun (莒县碁山石泉官庄村)	50 years from 4 April 2013	13,333.33



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

### 6. Prepayments (continued)

#### Impairment testing of advance payments

During the current financial year, the Group carried out a review of the recoverable amounts. Management relied on past valuation methods and carried out an impairment review on its advance payments of land use rights. A reversal of impairment loss of RMB11,090,000 (2019: Nil) representing an impairment loss written back was recognised in "Other income" (Note 21) in profit or loss. The recoverable amount of the advance payments of land use rights was determined based on fair value less costs of disposal. The valuation method used is that of the market approach which is categorised under Level 3 of the fair values hierarchy.

The key assumption to the fair value measurement is as follows:

Land use rights comparable price RMB 2,800,000 to RMB 17,400,000

The key assumption includes consideration of the market value in Shandong Province within the region, economic or external obsolescence and physical deterioration of assets.

### 7. Inventories

	Group	
	2020	2019
	RMB'000	RMB'000
<b>Statement of financial position:</b>		
Raw materials	3,293	5,081
Finished goods	6,530	5,721
	9,823	10,802
<b>Statement of comprehensive income:</b>		
Inventories recognised as an expense in cost of sales	97,200	112,659
Inclusive of the following charges		
- inventories written down (Note 22)	692	-
	692	-

### 8. Investments in subsidiaries

	Company	
	2020	2019
	RMB'000	RMB'000
Unquoted equity shares, at cost	172,800	172,800
	172,800	172,800



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

**8. Investments in subsidiaries (continued)**

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation/ place of operation	Percentage of equity held		Principal activities
		2020 %	2019 %	
<b>Held by the Group</b>				
Shandong Hengbao Foodstuff Co., Ltd. *	People's Republic of China	100	100	Processing, packaging and producing various types of foods
<b>Held by Shandong Hengbao Foodstuffs Co., Ltd.</b>				
Juxian Hengbao Farming Co., Ltd. *	People's Republic of China	100	100	Rearing and trading of livestocks, temporarily ceased operation
Juxian Wan Hui Food Co., Ltd. **	People's Republic of China	-	90	Dormant
Juxian Houz Best Food Co., Ltd. **	People's Republic of China	-	90	Dormant

\* Audited by UHY Lee Seng Chan & Co. for the purpose of expressing an opinion on the consolidated financial statements.

\*\* These entities were sold to a third party on 20 December 2020.

Disposal of subsidiaries

On 20 December 2020, the Group disposed of two 90%-owned subsidiaries, Juxian Wan Hui Food Co., Ltd. and Juxian Houz Best Food Co., Ltd. to a third party for a total consideration of RMB3,600,000.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

### 8. Investments in subsidiaries (continued)

#### Disposal of subsidiaries (continued)

The effects of the disposal on the cash flows of the Group were:

	Juxian Wan Hui Food Co., Ltd. RMB'000	Juxian Houz Best Food Co., Ltd. RMB'000	Group at 20 December 2020 RMB'000
<b>Carrying amounts of assets as at the date of disposal:</b>			
Cash and cash equivalents	-	8	8
Other receivables	2,015	2,009	4,024
Total assets	2,015	2,017	4,032
Net assets derecognised	2,015	2,017	4,032
Less: Non-controlling interests	(201)	(202)	(403)
Net assets disposed of	1,814	1,815	3,629
<b>Cash outflows arising from disposal:</b>			
Net assets disposed of (as above)	1,814	1,815	3,629
Less:			
Cash and cash equivalents in subsidiaries disposed of	-	(8)	(8)
Recorded in amount due to directors	(1,800)	(1,800)	(3,600)
Loss on disposal	(14)	(15)	(29)
Net cash outflow on disposal	-	(8)	(8)



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

**9. Property, plant and equipment**

**Group**

	Leasehold buildings and infrastructure RMB'000	Plant and machinery RMB'000	Furniture, fittings and equipment RMB'000	Motor vehicles RMB'000	Other facilities RMB'000	Renovation RMB'000	Construction work-in-progress RMB'000	Total RMB'000
<b>Cost</b>								
At 1 January 2019	364,958	103,578	2,236	1,772	8,025	5,000	42,280	527,849
Additions	15,708	500	-	-	-	-	7,322	23,530
Written off	-	-	-	(257)	-	-	-	(257)
At 31 December 2019	380,666	104,078	2,236	1,515	8,025	5,000	49,602	551,122
Additions	-	361	-	-	-	-	374	735
Written off	(7,237)	(73,065)	(21)	-	(2,373)	-	(42,280)	(124,976)
At 31 December 2020	373,429	31,374	2,215	1,515	5,652	5,000	7,696	426,881
<b>Accumulated depreciation</b>								
At 1 January 2019	62,867	49,527	2,231	1,728	4,791	5,000	-	126,144
Depreciation charge for the year	10,634	5,053	3	11	834	-	-	16,535
Written off	-	-	-	(257)	-	-	-	(257)
At 31 December 2019	73,501	54,580	2,234	1,482	5,625	5,000	-	142,422
Depreciation charge for the year	11,252	3,753	1	9	700	-	-	15,715
Written off	(977)	(33,089)	(20)	-	(1,499)	-	-	(35,585)
At 31 December 2020	83,776	25,244	2,215	1,491	4,826	5,000	-	122,552



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

**9. Property, plant and equipment (continued)**

Group	Leasehold buildings and infrastructure RMB'000	Plant and machinery RMB'000	Furniture, fittings and equipment RMB'000	Motor vehicles RMB'000	Other facilities RMB'000	Renovation RMB'000	Construction work-in- progress RMB'000	Total RMB'000
<b>Accumulated impairment losses</b>								
At 1 January 2019 and 31 December 2019	96,550	31,573	-	-	-	-	-	128,123
Charge for the year	1,867	-	-	-	-	-	-	1,867
Written back	(3,197)	(3)	-	-	-	-	-	(3,200)
Written off	(2,396)	(30,642)	-	-	-	-	-	(33,038)
At 31 December 2020	92,824	928	-	-	-	-	-	93,752
<b>Carrying amount</b>								
At 31 December 2020	196,829	5,202	-	24	826	-	7,696	210,577
At 31 December 2019	210,615	17,925	2	33	2,400	-	49,602	280,577



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

**9. Property, plant and equipment (continued)**

Property, plant and equipment of the Group with carrying amount of approximately RMB71,674,000 (2019: RMB95,804,000) has been pledged to secure the bank loans (Note 15).

Property, plant and equipment of the Group with a carrying amount of RMB66,098,000 (2019: RMB76,650,000) was previously used in the duck farming business that had temporarily ceased operation. This carrying amount is after deducting accumulated impairment loss of RMB25,196,000 (2019: RMB55,858,000).

Construction work-in-progress which are stated at cost, comprises factory premises and building under construction as well as production plants, machinery and other equipment under installation.

Impairment testing of property, plant and equipment

During the current financial year, the Group carried out a review of the recoverable amount. Management relied on past valuation methods and carried out an impairment review on its property, plant and equipment.

Arising from this valuation, a reversal of impairment loss of RMB3,200,000 (2019: Nil) representing an impairment loss written back was recognised in "Other income" (Note 21) and an impairment loss of RMB1,867,000 (2019: Nil) was recognised in "Other expenses" (Note 22) in profit or loss.

The recoverable amount of property, plant and equipment was based on fair value less costs of disposal. The valuation method used is that of the replacement cost approach. These are regarded as Level 3 of the fair value hierarchy.

The key assumption to the fair value measurement is as follows:

Residual rate 80 - 85%

The key assumption includes consideration of technical obsolescence and physical deterioration of the property, plant and equipment.

**10. Land use rights**

**Group**

	2020 RMB'000	2019 RMB'000
<b>Cost</b>		
Balance at 1 January and 31 December	128,861	128,861
<b>Accumulated depreciation</b>		
Balance at 1 January	19,863	18,367
Amortisation for the year (Note 24)	1,495	1,496
Balance at 31 December	21,358	19,863
<b>Accumulated impairment losses</b>		
Balance at 1 January	46,486	46,486
Reversal of impairment loss (Note 21)	(13,579)	-
Balance at 31 December	32,907	46,486
<b>Carrying amount</b>		
Balance at 31 December	74,596	62,512





## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

### 10. Land use rights (continued)

The above land use rights relate to:

Location	Tenure	Total land area (Square Metres)
· Ju County Yanzhuang Town Jianhua Cun Zhu Di, Weifang Lu Bei Ce (莒县闫庄镇建华村驻地, 潍坊路北侧)	50 years from 22 December 2006 to 10 December 2056	64,427
· Ju County Wei Fang Middle Road No.39 (莒县潍坊中路39号)	55 years from 10 June 2011 to 7 January 2066	24,034
· Ju County South of Qingzhou Lu, East of Cheng Yang Lu (莒县青州路以南、城阳路以东)	50 years from 10 May 2011 to 28 July 2061	65,046
· Ju County AnZhuang Town, ZhuDi North Avenue, Dao Huang Road, West (莒县安庄镇驻地以北道黄路以西)	50 years from 16 May 2011 to 19 January 2061	58,196
· Ju County AnZhuang Town, ZhuDi North Avenue, Dao Huang Road, West (莒县安庄镇驻地以北道黄路以西)	50 years from 12 May 2011 to 19 October 2061	35,257
· Ju County QiShan Town, ShiQuanGuanZhuang Village (莒县碁山镇石泉官庄村)	50 years from 18 May 2011 to 19 January 2061	68,814
· Ju County QiShan Town, ShiQuanGuanZhuang Village (莒县碁山镇石泉官庄村)	50 years from 23 June 2011 to 19 January 2061	57,967

Land use rights of the Group with carrying amount of approximately RMB19,891,000 (2019: RMB30,130,000) has been charged to secure the bank loans (Note 15).

#### Impairment testing of land use rights

During the current financial year, the Group carried out a review of the recoverable amount. Management relied on past valuation methods and carried out an impairment review on its land use rights.

Arising from this valuation, a reversal of impairment loss of RMB 13,579,000 (2019: Nil) was recognised in "Other income" (Note 21) in profit or loss.

The recoverable amount of the land use rights was based on fair value less costs of disposal. The valuation method used is that of the market approach which is regarded as Level 3 of the fair value hierarchy.

The key assumption is as follows:

Land use rights comparable price RMB 6,100,000 to RMB 16,400,000

The key assumption includes consideration of the market value in Shandong Province within the region, economic or external obsolescence and physical deterioration of assets.

### 11. Other payables

	Group		Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Accrued operating expenses	13,185	11,840	402	565
Subsidiary (non-trade)	-	-	6,582	6,445
Sundry payables	6,157	7,025	2,987	3,105
Tenant deposits	-	250	-	-
	19,342	19,115	9,971	10,115

Non-trade amount due to a subsidiary is unsecured, interest-free and repayable in cash on demand.



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

**12. Amounts due to ex-shareholders of the Company**

In prior financial year, the amounts due to ex-shareholders consist of a sum of RMB1,291,000 which represents payment on behalf and a sum of RMB1,770,000 which represents outstanding accrued interest when the principal amount due was fully repaid in year 2012. These amounts were denominated in Singapore dollar and were fully repaid on behalf by a director during the financial year.

**13. Amounts due to a shareholder of the Company**

Amounts due to a shareholder of the Company represent payment on behalf. These amounts are unsecured, interest-free, repayable in cash on demand and are denominated in Malaysia ringgit.

**14. Amounts due to directors**

	Group		Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
<b>Current</b>				
Advances (i)	12,773	13,429	10,572	8,393
Advances (ii)	20,017	-	20,017	-
	<u>32,790</u>	<u>13,429</u>	<u>30,589</u>	<u>8,393</u>
<b>Non-current</b>				
Advances (ii)	-	20,976	-	20,976
	<u>32,790</u>	<u>34,405</u>	<u>30,589</u>	<u>29,369</u>

(i) The amounts due to directors are non-trade in nature, unsecured, interest-free and repayable in cash on demand.

(ii) On 31 December 2018, a loan agreement with the director, Mr. Shen Hengbao was signed for an amount of RMB20,017,000 (2019: RMB20,976,000) for a 3-year period at an interest rate of 5.50% per annum.

**Fair value of non-current amounts due to directors**

	Group	
	2020 RMB'000	2019 RMB'000
Amounts due to directors	-	20,976

The fair values above are determined from the cash flow analyses, discounted at market borrowing rates of an equivalent instrument at the end of the reporting period of 5.50% (2019: 5.50%) per annum. The fair values are within Level 2 of the fair values hierarchy.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

### 15. Bank loans

		Group	
		2020	2019
		RMB'000	RMB'000
<b>Secured bank loans</b>			
Industrial Bank Co., Ltd 兴业银行股份有限公司日照分行	#1	-	14,400
Rural Commercial Bank of Juxian 山东莒县农村商业银行	#2	24,460	24,470
Bank of Rizhao 日照银行股份有限公司莒县支行	#3	20,000	20,000
China Construction Bank 中国建设银行股份有限公司莒县支行	#4	24,101	24,300
		68,561	83,170

The bank loans are secured by:

- (i) legal charges over the leasehold land and buildings of certain subsidiaries as disclosed in Note 9;
- (ii) legal charges over the land use rights of certain subsidiaries as disclosed in Note 10;
- (iii) a corporate guarantee provided by a third party;
- (iv) a jointly and severally guarantee provided by certain directors and key management personnel of certain subsidiaries.

Details of bank loans denominated in renminbi are as follows:

- (a) In prior financial year, the bank loan #1 of RMB14,400,000 bears interest of 5.43% over the benchmark lending rate of People's Bank of China ("PBOC") per annum. The loan's effective interest rate is 6.53% per annum and was repayable within one year.

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, the Group has obtained waiver from bank borrowing amounted RMB14,400,000 and this amount was recognised in "Other income" (Note 21) in profit or loss.

- (b) The bank loans #2 of RMB24,460,000 (2019: RMB24,470,000) bear fixed interest rate of 7% (2019: 7%) per annum and are repayable within one year.
- (c) The bank loan #3 of RMB20,000,000 (2019: RMB20,000,000) bears fixed interest rate of 6.96% (2019: 6.96%) per annum and is repayable within one year.
- (d) The bank loan #4 of RMB4,801,000 (2019: RMB5,000,000) bears fixed interest rate of 5.87% (2019: 5.87%) per annum and bank loans of RMB19,300,000 (2019: 19,300,000) bear interest of 0.91% over the prevailing prime rate of People's Bank of China per annum. The effective interest rate is 5.21% (2019: 5.21%) per annum. The bank loans are repayable within one year.



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

**15. Bank loans (continued)**

A reconciliation of liabilities arising from financing activities is as follows:

2020

Note	At 1.1.2020 RMB'000	Non-cash changes					At 31.12.2020 RMB'000
		Financing cash flows RMB'000	Interest expense RMB'000	Income from waiver of bank borrowing RMB'000	Foreign exchange movement RMB'000	Net off cash consideration from disposal of subsidiaries RMB'000	
12	3,061	-	-	-	-	(3,061)	-
13	-	-	-	-	-	3,276	3,276
14	34,405	2,188	1,113	-	(1,101)	(3,600)	32,790
15	83,170	(209)	-	(14,400)	-	-	68,561

Amounts due to ex-shareholders of the Company  
Amounts due to a shareholder of the Company  
Amounts due to directors  
Bank loans



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

### 15. Bank loans (continued)

2019

	Note	At 1.1.2019 RMB'000	Financing cash flows RMB'000	Non-cash changes		At 31.12.2019 RMB'000
				Interest expense RMB'000	Foreign exchange movement RMB'000	
Amounts due to ex-shareholders of the Company	12	2,839	-	-	222	3,061
Amounts due to ex-shareholders of a subsidiary		3,478	(3,478)	-	-	-
Amounts due to directors	14	41,976	(8,319)	1,133	(385)	34,405
Bank loans	15	83,180	(1,040)	1,030	-	83,170

### 16. Share capital

	Group/Company	
	2020 RMB'000	2019 RMB'000
Issued and fully paid 468,000,000 ordinary shares, with no par value	146,161	146,161

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

### 17. Capital reserve

The capital reserve comprises the difference between purchase consideration and attributable net assets relating to the acquisition of additional interest in a subsidiary from non-controlling interests with no change in control in 2015.

### 18. Equity contribution reserve

The equity contribution reserve represents the difference between the gross proceeds and its fair value at initial measurement and recognition on 25 September 2009 with respect to the aggregate interest free loan of RMB21,800,000 from the directors and ex-shareholders of a subsidiary. The loan was fully repaid and this equity contribution reserve was not distributable and was derecognised during the financial year.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

### 19. Statutory reserve

The Group follows the accounting principles and relevant financial regulations of the People's Republic of China ("PRC") in the preparation of the accounting records and statutory financial statements of the PRC subsidiaries.

In accordance with the Foreign Enterprise Law applicable to the subsidiaries in the PRC, one of the subsidiaries of the Group is required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The SRF is not available for dividend distribution to shareholders.

### 20. Revenue

	Group	
	2020 RMB'000	2019 RMB'000
Sale of goods	97,880	157,481

Revenue is recognised at a point in time.

### 21. Other income

	Group	
	2020 RMB'000	2019 RMB'000
Foreign exchange gain	1,340	-
Impairment loss written back on:		
- advance payments of land use rights (Note 6)	11,090	-
- land use rights (Note 10)	13,579	-
- property, plant and equipment (Note 9)	3,200	-
- trade receivables (Note 5)	1,556	8,536
Income from waiver of bank borrowing (Note 15)	14,400	-
Rental income	-	630
Reversal of accrued interest	345	-
Sundry income	56	-
	45,566	9,166



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

### 22. Other expenses

	<b>Group 2020 RMB'000</b>
Impairment loss on:	
- inventories (Notes 7)	692
- property, plant and equipment (Notes 9 and 30)	1,867
Property, plant and equipment written off	56,353
	58,912

### 23. Finance costs

	<b>Group</b>	
	<b>2020 RMB'000</b>	<b>2019 RMB'000</b>
Interest expense on		
- bank loans	3,264	5,477
- borrowings from ex-shareholders	-	122
- borrowings from directors	1,113	1,616
	4,377	7,215

### 24. (Loss)/Profit before income tax

This is stated after charging:

	<b>Group</b>	
	<b>2020 RMB'000</b>	<b>2019 RMB'000</b>
Amortisation of land use rights (Note 10)	1,495	1,496
Depreciation of property, plant and equipment (Note 9)	15,715	16,535
- recognised in cost of sales	8,541	8,134
- recognised in administrative expenses	7,174	8,401
Employee benefits expense (Note 27)	23,916	26,882
- recognised in cost of sales	19,073	20,994
- recognised in administrative expenses	4,843	5,888
Fees paid/payable to external auditors for:		
- audit services	374	395
- non-audit services	53	56
Foreign exchange loss	-	937
Legal and professional fee	866	102
Operating lease expense - land	173	345
Security and share registration fee	339	-
Tax expenses - land	5,914	5,914
Tax expenses - property	1,997	1,997



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

**25. Income tax expense**

There is no income tax expense as the Group has no taxable income for the current and previous financial years.

**Reconciliation of effective tax rate**

	Group	
	2020 RMB'000	2019 RMB'000
(Loss)/Profit before income tax	(45,290)	16,833
Tax at statutory rate of 25% (2019: 25%)	(11,000)	4,940
Tax at statutory rate of 17% (2019: 17%)	(219)	(497)
Adjustments:		
- non-deductible expenses	219	497
- deferred tax assets not recognised	7,264	-
- utilisation of deferred tax assets previously not recognised	-	(6,318)
- tax losses disregarded	3,736	1,378
	-	-

**Unutilised tax losses**

As at 31 December 2020, the subsidiary, Shandong Hengbao Foodstuff Co., Ltd. has unutilised tax losses of approximately RMB42,111,000 (2019: RMB261,837,000) which are subject to agreement with the relevant tax authorities. These unutilised tax losses can be carried forward for offsetting against future taxable income provided that the provisions of the relevant tax legislations are complied with. The tax losses have the following expiry dates:

	Group	
	2020 RMB'000	2019 RMB'000
<u>Expiring in:</u>		
2020	-	248,783
2021	13,054	13,054
2025	29,057	-
	42,111	261,837

**Tax losses disregarded**

Pursuant to the corporate income tax law of the PRC under Chapter 4 No 27(1), all PRC companies engaged in livestock and poultry breeding business are tax exempted. Accordingly, the losses of Juxian Hengbao Farming Co., Ltd which is engaged in duck farming business are disregarded given that the profits arising from livestock and poultry breeding are exempted from tax.

**Unappropriated profits**

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on the dividends to foreign investors from foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. As at 31 December 2020, the PRC subsidiaries have unappropriated profits amounting to RMB299,297,000 (2019: RMB320,121,000) which have not yet been utilised.





## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

### 25. Income tax expense (continued)

#### Unrecognised deferred tax liabilities

As at 31 December 2020, the aggregate amount of temporary differences relating to undistributed profits of subsidiaries for which deferred tax liabilities have not been recognised is RMB29,930,000 (2019: RMB32,012,000). No deferred tax liability has been recognised because the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

### 26. (Loss) / Earnings per share

The basic and diluted (loss) / earnings per share attributable to the owners of the Group is computed as follows:

	Group	
	2020	2019
Net (loss)/profit attributable to owners of the Company (RMB'000)	(45,290)	16,834
Weighted average number of ordinary shares in issue ('000)	468,000	468,000
(Loss)/Earnings per share (RMB cents)		
- Basic	(9.68)	3.60
- Diluted	(9.68)	3.60

Diluted (loss)/earnings per share are the same as basic (loss)/earnings per share as the Group does not have potential dilutive shares.

### 27. Employee benefits expense

	Group	
	2020 RMB'000	2019 RMB'000
Salaries, bonuses and related costs (including directors' remuneration)	23,379	26,327
Employer's contributions to defined contribution plans	537	555
	23,916	26,882



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

**28. Commitments**

**28.1 Capital commitments**

In prior financial year, capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements were as follows:

	<b>Group 2019 RMB'000</b>
Construction of duck and poultry slaughter factory	52,720
Construction of feed mill plant	30,000
Construction of production factory	278
	<hr/> 82,998 <hr/>

**28.2 Lease commitments - as lessor**

The Group leases out its property and equipment under non-cancellable operating leases. These leases have remaining lease terms of one year with option to renew the leases after the expiry dates.

In prior financial year, future minimum rental receivable under non-cancellable operating leases at the end of the reporting period were as follows:

	<b>Group 2019 RMB'000</b>
Within one year	<hr/> 700 <hr/>

**28.3 Financial guarantees**

The Group has issued corporate guarantees to banks for bank borrowings granted to third parties which have provided corporate guarantees to the banks for bank borrowings (Note 15) granted to the Group. These guarantees are financial guarantee contracts as they require the Group to reimburse the banks if the third parties fail to make principal or interest payments when due in accordance with the terms of their respective borrowings.

	<b>Group</b>	
	<b>2020 RMB'000</b>	<b>2019 RMB'000</b>
Corporate guarantees to banks on loans granted to third parties	19,458	31,110
	<hr/>	



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

### 29. Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following are the significant transactions between the Group and related parties that took place at terms agreed between the parties during the financial year:

	Group	
	2020	2019
	RMB'000	RMB'000
<b>Compensation of key management personnel</b>		
Short-term benefits paid to:		
Directors of the Company		
- salaries and related costs	1,400	2,718
- directors' fees	331	311
	1,731	3,029
Other key management personnel		
- salaries and related costs	694	700
- employer's contribution to defined contribution plans	19	32
	713	732
	2,444	3,761

### 30. Segment information

For management purposes, the Group is organised into business units based on their products and has four reportable operating segments as follows:

- (i) Ready-to-serve food
- (ii) Frozen vegetables
- (iii) Duck farming
- (iv) Others

Except as indicated above, no operating segments have been aggregated to/from the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Unallocated costs represent corporate expenses.

Capital expenditure comprised additions to property, plant and equipment, construction in progress and intangible assets.



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

**30. Segment information (continued)**

**Financial year ended 31 December 2020**

	Ready-to -serve food RMB'000	Frozen vegetables RMB'000	Others RMB'000	Total RMB'000
Revenue (external customers)	44,863	29,818	23,199	97,880
<b>Segment results</b>	3,494	(4,325)	1,511	680
Other income				45,566
Unallocated costs				(87,159)
Finance costs				(4,377)
Loss before income tax				(45,290)
Income tax expense				-
<b>Net loss for the financial year</b>				(45,290)
<b>Other segment information</b>				
Depreciation and amortisation (Notes 9 and 10)				17,210
Interest expense (Note 23)				4,377
Impairment loss on property, plant and equipment (Note 22)				1,867
Capital expenditure				735

**Financial year ended 31 December 2019**

	Ready-to -serve food RMB'000	Frozen vegetables RMB'000	Others RMB'000	Total RMB'000
Revenue (external customers)	47,664	78,933	30,884	157,481
<b>Segment results</b>	9,616	29,997	5,209	44,822
Other income				9,166
Unallocated costs				(29,940)
Finance costs				(7,215)
Profit before income tax				16,833
Income tax expense				-
<b>Net profit for the year</b>				16,833
<b>Other segment information</b>				
Depreciation and amortisation (Notes 9 and 10)				18,031
Interest expense (Note 23)				7,215
Capital expenditure				23,530



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

### 30. Segment information (continued)

The Group's revenue is categorised based on countries where the customers are located.

	Revenue	
	2020 RMB'000	2019 RMB'000
China	97,880	157,481

All non-current assets are located in the PRC.

### 31. Financial instruments, financial risks and capital risks management

#### 31.1 Categories of financial assets and liabilities

The carrying amounts of various categories of financial assets and liabilities as at the end of the reporting period are as follows:

	Group		Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
<b>Financial assets</b>				
Financial assets at amortised cost	47,424	60,910	16	16
<b>Financial liabilities</b>				
Financial liabilities at amortised cost	123,969	139,751	43,836	42,545

#### 31.2 Financial risk management policies and objectives

The Group has documented financial risk management policies. These policies set out the Group's overall business strategies and its risk management philosophy. The Group's overall risk management strategy seeks to minimise potential adverse effects on the financial performance of the Group.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions and the Group's activities.

The following sections provide details regarding the Group's exposure to various financial risks and the objectives, policies and processes for the management of the risks.

##### Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Group. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group has adopted a policy of only dealing with creditworthy counterparties. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally do not require a collateral.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

### 31. Financial instruments, financial risks and capital risks management (continued)

#### 31.2 Financial risk management policies and objectives (continued)

##### Credit risk (continued)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when internal and/or external information indicates that the financial asset is unlikely to be received, which could include default of contractual payments due for more than 60 days, default of interest due for more than 30 days or there is significant difficulty of the counterparty.

To minimise credit risk, the Group has developed and maintained the Group's credit risk ratings to categorise exposures according to their degree of risk of default.

The credit rating information is supplied by publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group considers available reasonable and supportive forward-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- Actual or expected significant changes in the operating results of the debtor
- Significant increases in credit risk on other financial instruments of the same debtor
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the group and changes in the operating results of the debtor.

Regardless of the above analysis, a significant increase in credit risk is presumed if a debtor is more than 60 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the debtor
- A breach of contract, such as a default or past due event
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

The Group uses the following categories of internal credit risk rating for financial assets which are subject to expected credit losses ("ECL") under the 3-stage general approach. These four categories reflect the respective credit risk and how the loss provision is determined for each of those categories.

Category of internal credit rating	Definition of category	Basis for recognition of expected credit losses
Performing	Borrower or issuer have a low risk of default and a strong capacity to meet contractual cash flows	12-month expected credit losses
Under-performing	Significant increase in credit risk is presumed if interest and/or principal repayment are 60 days past due	Lifetime expected credit losses
Non-performing	Interest and/or principal payment are 365 days past due	Lifetime expected credit losses
Write-off	Interest and/or principal repayments are 365 days past due and there is no reasonable expectation of recovery	Asset is written off



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

### 31. Financial instruments, financial risks and capital risks management (continued)

#### 31.2 Financial risk management policies and objectives (continued)

##### Credit risk (continued)

The table below details the credit quality of the Group's financial assets, as well as maximum exposure to credit risk by credit risk rating categories:

	Note	Category	12-month or lifetime ECL	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
<b>31 December 2020</b>						
Cash and cash equivalents	4	NA	Exposure Limited	182	-	182
Trade receivables	5	Note 1	Lifetime ECL (simplified)	47,416	(182)	47,234
Other receivables	5	I	12-month ECL	8	-	8
<b>31 December 2019</b>						
Cash and cash equivalents	4	NA	Exposure Limited	1,574	-	1,574
Trade receivables	5	Note 1	Lifetime ECL (simplified)	61,066	(1,738)	59,328
Other receivables	5	I	12-month ECL	8	-	8

##### Trade receivables (Note 1)

For trade receivables, the Group has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of trade receivables is presented based on their past due status in terms of the provision matrix.



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

**31. Financial instruments, financial risks and capital risks management (continued)**

**31.2 Financial risk management policies and objectives (continued)**

**Credit risk (continued)**

	Current RMB'000	Days past due				Total RMB'000
		≤30 days RMB'000	31-60 days RMB'000	61-90 days RMB'000	>90 days RMB'000	
<b>31 December 2020</b>						
ECL rate	0.4%	0.0%	0.0%	0.0%	0.0%	
Trade receivables	47,416	-	-	-	-	47,416
Loss allowances	(182)	-	-	-	-	(182)
<b>31 December 2019</b>						
ECL rate	2.8%	0.0%	0.0%	0.0%	0.0%	
Trade receivables	61,066	-	-	-	-	61,066
Loss allowances	(1,738)	-	-	-	-	(1,738)

Information regarding loss allowance movement of trade receivables is disclosed in Note 5.

**Excessive risk concentration**

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

**Exposure to credit risk**

At the end of the reporting period, approximately 100% (2019: 100%) of the Group's trade receivables were due from 3 (2019: 3) major external customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset presented on the statements of financial position. Cash is placed with banks which are regulated.

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from bank loans with variable rates. The Group's policy is to obtain the most favourable interest rates available and maintain a balanced portfolio mix of fixed and floating rate borrowings.

A sensitivity analysis has been performed based on the outstanding floating rates of the Group's bank loans as at the end of the reporting period. If interest rate increases or decreases by 50 basis points with all other variables held constant, the Group's loss before tax would increase or decrease by RMB97,000 (2019: Group's profit before tax would decrease or increase by RMB169,000), as a result of lower or higher interest expense on these loans.





## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

### 31. Financial instruments, financial risks and capital risks management (continued)

#### 31.2 Financial risk management policies and objectives (continued)

##### Liquidity risk

Liquidity risk refers to the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The Group maintains sufficient cash and cash equivalents, and internally generated cash flows to finance its activities. Where necessary, it can also obtain financing from its directors and management is satisfied that such funding is available when required.

As detailed in Note 1.2, management is of the view that the liquidity risk is mitigated as the Group is confident that it will be able to obtain continuing support from its creditor banks and hence be able to rollover the bank loans as and when they fall due. In addition, management believes that its business operation will be able to generate sufficient cash flows to finance its obligations.

The table below analyses the maturity profile of the Group's financial assets and liabilities at the end of the reporting period based on contractual undiscounted payments:

##### Group

	1 year or less RMB'000	Carrying amount RMB'000
<b>2020</b>		
Cash and cash equivalents	182	182
Trade and other receivables	47,242	47,242
Total undiscounted financial assets	47,424	47,424
Other payables	19,342	19,342
Amounts due to a shareholder of the Company	3,276	3,276
Amounts due to directors	34,992	34,992
Bank loans	72,953	72,953
Total undiscounted financial liabilities	130,563	130,563
Total net undiscounted financial liabilities	(83,139)	(83,139)



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

**31. Financial instruments, financial risks and capital risks management (continued)**

**31.2 Financial risk management policies and objectives (continued)**

**Liquidity risk (continued)**

	1 year or less RMB'000	1 to 5 years RMB'000	Carrying amount RMB'000
<b>2019</b>			
Cash and cash equivalents	1,574	-	1,574
Trade and other receivables	59,336	-	59,336
Total undiscounted financial assets	60,910	-	60,910
Other payables	19,115	-	19,115
Amounts due to ex-shareholders of the Company	3,061	-	3,061
Amounts due to directors	14,583	22,130	36,713
Bank loans	87,085	-	87,085
Total undiscounted financial liabilities	123,844	22,130	145,974
Total net undiscounted financial liabilities	(62,934)	(22,130)	(85,064)

**Company**

	1 year or less RMB'000	Carrying amount RMB'000
<b>2020</b>		
Cash and cash equivalents	8	8
Trade and other receivables	8	8
Total undiscounted financial assets	16	16
Other payables	9,971	9,971
Amounts due to a shareholder of the Company	3,276	3,276
Amounts due to directors	32,791	32,791
Total undiscounted financial liabilities	46,038	46,038
Total net undiscounted financial liabilities	(46,022)	(46,022)



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

### 31. Financial instruments, financial risks and capital risks management (continued)

#### 31.2 Financial risk management policies and objectives (continued)

##### Liquidity risk (continued)

	1 year or less RMB'000	1 to 5 years RMB'000	Carrying amount RMB'000
<b>2019</b>			
Cash and cash equivalents	8	-	8
Trade and other receivables	8	-	8
Total undiscounted financial assets	16	-	16
Other payables	10,115	-	10,115
Amounts due to ex-shareholders of the Company	3,061	-	3,061
Amounts due to directors	9,547	22,130	31,677
Total undiscounted financial liabilities	22,723	22,130	44,853
Total net undiscounted financial liabilities	(22,707)	(22,130)	(44,837)

##### Foreign currency risk

Foreign currency risk arises when transactions or balances are denominated in foreign currencies.

The Group is exposed to foreign currency risk mainly on its sales and purchases and other transactions that are denominated primarily in Singapore dollar ("SGD") and Malaysian ringgit ("RM").

The Group does not enter into currency options and does not use forward exchange contracts for speculative trading purposes. The Group's and Company's main exposures to foreign currencies are as follows:

##### Group

	SGD RMB'000	RM RMB'000
<b>2020</b>		
Cash and cash equivalents	-	8
Trade and other receivables	-	8
Other payables	(3,169)	(791)
Amounts due to a shareholder of the Company	-	(3,276)
Amounts due to directors	(23,413)	(181)
	(26,582)	(4,232)
<b>2019</b>		
Cash and cash equivalents	-	8
Trade and other receivables	-	8
Other payables	(3,840)	(212)
Amounts due to ex-shareholders of the Company	(3,061)	-
Amounts due to directors	(23,677)	(239)
	(30,578)	(435)



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

**31. Financial instruments, financial risks and capital risks management (continued)**

**31.2 Financial risk management policies and objectives (continued)**

**Foreign currency risk (continued)**

**Company**

	SGD RMB'000	RM RMB'000
<b>2020</b>		
Cash and cash equivalents	-	8
Trade and other receivables	-	8
Other payables	(2,599)	(791)
Amounts due to a shareholder of the Company	-	(3,276)
Amounts due to directors	(23,413)	(181)
	(26,012)	(4,232)
<b>2019</b>		
Cash and cash equivalents	-	8
Trade and other receivables	-	8
Other payables	(3,460)	(210)
Amounts due to ex-shareholders of the Company	(3,061)	-
Amounts due to directors	(23,677)	(239)
	(30,198)	(433)

**Sensitivity analysis**

A 3% strengthening of the Chinese renminbi against the following currencies at the reporting date would affect profit or loss before tax as shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

**Group**

	2020 RMB'000 Decrease loss before income tax	2019 RMB'000 Increase profit before income tax
Singapore dollar	797	917
Malaysian ringgit	127	13
	924	930

**Company**

	2020 RMB'000 Decrease loss before income tax	2019 RMB'000 Increase profit before income tax
Singapore dollar	780	906
Malaysian ringgit	127	13
	907	919

A 3% weakening of the Chinese renminbi against the above currencies would have equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

### 31. Financial instruments, financial risks and capital risks management (continued)

#### 31.3 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The following table presents the recognised financial instruments that are offset as at 31 December 2020 and 31 December 2019.

	Gross amounts RMB'000	Gross amounts set off in the statement of financial position RMB'000	Net amounts presented in the statement of financial position RMB'000
<b>2020</b>			
<b>Financial assets</b>			
Cash and cash equivalents	182	-	182
Trade and other receivables	70,460	(23,218)	47,242
<b>Total</b>	<b>70,642</b>	<b>(23,218)</b>	<b>47,424</b>
<b>Financial liabilities</b>			
Trade and other payables	42,560	23,218	19,342
Amounts due to a shareholder of the Company	3,276	-	3,276
Amounts due to directors	32,790	-	32,790
Bank loans	68,561	-	68,561
<b>Total</b>	<b>147,187</b>	<b>23,218</b>	<b>123,969</b>
<b>2019</b>			
<b>Financial assets</b>			
Cash and cash equivalents	1,574	-	1,574
Trade and other receivables	74,033	(14,697)	59,336
<b>Total</b>	<b>75,607</b>	<b>(14,697)</b>	<b>60,910</b>
<b>Financial liabilities</b>			
Trade and other payables	33,812	14,697	19,115
Amounts due to ex-shareholders of the Company	3,061	-	3,061
Amounts due to directors	34,405	-	34,405
Bank loans	83,170	-	83,170
<b>Total</b>	<b>154,448</b>	<b>14,697</b>	<b>139,751</b>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

### 31. Financial instruments, financial risks and capital risks management (continued)

#### 31.4 Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain an adequate and efficient capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may issue new shares or obtain additional borrowings.

No changes were made to the policies or processes of capital management for the financial years ended 31 December 2020 and 2019.

The Group is not subject to any externally imposed capital requirements, except for a subsidiary of the Group as disclosed in Note 19 which is required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the subsidiary for the financial years ended 31 December 2020 and 2019.

The Group's overall strategy remains unchanged from 2019.

### 32. Fair value of financial instruments

#### 32.1 Fair value of financial instruments that are carried at fair value

##### Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - Quote prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There has been no transfer between Level 1 and Level 2 fair value measurements during the financial years ended 31 December 2020 and 2019.

#### 32.2 Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Management has determined that the carrying amounts of current financial assets and liabilities approximate their fair values because these instruments are short-term in nature or repriced frequently.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

### 33. Events occurring after the reporting period

#### (i) Covid-19

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. The Group will stay agile and keep the interests of our consumers and safety of our people at the forefront.

The performance of the 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, management is cautious on the potential impact of the Covid-19 pandemic and will continue to manage the Group's businesses with vigilance during this period of uncertainty.

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

In addition, due to the impact of trade war between the People's Republic of China ("PRC") and the United States of America, economic slowdown in PRC and outbreak of swine fever, the Government of PRC had initiated financial assistance to companies in food processing industry. This is to avert any possible financial crises in the near future. One of the Group's subsidiaries is negotiating with Rural Commercial Bank of Juxian and China Construction Bank for this special financial assistance scheme on its current borrowings and may need further endorsement by the Government of PRC in the near future.

#### (ii) Private placement

On 26 March 2021, the Group completed a private placement of 93,600,000 new ordinary shares at issued price of RM0.185 per share for a total cash consideration of RM17,361,000.

#### (iii) Proposed acquisition of a subsidiary

On 1 April 2021, the Group 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 ("Forward Resources"), representing 60% equity interest in Forward Resources, for a purchase consideration of RM66 million to be satisfied via the issuance of 208,413,740 ordinary shares in the Group at an issue price of RM0.2591 each and RM12 million in cash.

### 34. Supplementary information - breakdown of accumulated profits/(losses) into realised and unrealised

The breakdown of the accumulated profits/(losses) of the Group and of the Company as at 31 December 2020 into realised profit/(loss) and unrealised profit is presented in accordance with the directive issued by Bursa Securities dated 20 December 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to MMLR, as issued by the Malaysian Institute of Accountants.



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

**34. Supplementary information - breakdown of accumulated profits/(losses) into realised and unrealised (continued)**

	Group		Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Total accumulated profit/(loss) of the Company and its subsidiaries				
- Realised profit/(loss)	89,139	128,373	(18,426)	(14,954)
- Unrealised gain/(loss)	1,245	(936)	1,245	(936)
	<u>90,384</u>	<u>127,437</u>	<u>(17,181)</u>	<u>(15,890)</u>

**35. Standards issued but not yet effective**

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to SFRS(I) 9 Financial Instruments, SFRS(I) 1-39 Financial Instruments: Recognition and Measurement, SFRS(I) 7 Financial Instruments: Disclosures, SFRS(I) 4 Insurance Contracts, SFRS(I) 16 Leases: Interest Rate Benchmark Reform - Phase 2	1 January 2021
Amendments to SFRS(I) 3 Reference to the Conceptual Framework	1 January 2022
Amendments to SFRS(I) 1-37 Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to SFRS(I)s 2018 - 2020	1 January 2022
Amendments to SFRS(I) 1-16 Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to SFRS(I) 1-1 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current	1 January 2023

The directors are still in their preliminary assessment of the above standards but expect that the adoption of these new standards will not have any material impact on the financial statements in the year of initial application.





## GROUP PROPERTIES PORTFOLIO

The landed property of the Group as at the date of this Annual Report is as follows:

### (i) Land

Our subsidiary, Shandong Hengbao has obtained the State-owned Land Use Right Certificates for the following seven (7) parcels of land and seven (7) parcels of land without certificate, the details of which are set out below:

No.	Land No. / Location	State-owned Land Use Right Certificate No. / Certificate Issuance Date	Tenure / Expire of Tenure	Revaluation / Acquisition	Land Area (Square Metres)	Audited NBV as at 31.12.2020 RMB'000
1.	2011-18/ShiQuanGuanZhuan Village, QiShan Town, Ju County Shandong Province, PRC ("Land X")	Juguoyong (2011) No. 377/ 23.05.2011	44 years / 19.01.2061	2020	57,967.00	12,066
2.	2011-10/Huang Road, ZhuDi North Avenue, West, Anzhuan Town Ju County Shandong Province, PRC ("Land VIII")	Juguoyong (2011) No. 178/ 18.05.2011	44 years / 19.01.2061	2020	68,814.00	14,324
3.	2011-12/Huang Road, ZhuDi North Avenue, West, Anzhuan Town Ju County Shandong Province, PRC ("Land VII")	Juguoyong (2011) No. 118/ 16.05.2011	44 years / 19.01.2061	2020	58,196.00	12,114
4.	Anzhuang Town Baowa Village East, Daohuang Road West, Ju Country Shandong	Lu (2017) Ju property rights No. 0006656/ 01.11.2017	44 years / 13.10.2061	2020	35,257.00	7,376
5.	South of Qingzhou Road, East of Chengyang Road, Ju Country Shandong	Juguoyong (2015) No. 116/ 07.12.2015	44 years / 28.07.2061	2020	65,046.00	16,201
6.	Weifang Road No. 39, Ju Country Shandong	Lu (2016) Ju property rights No. 0000826/ 10.06.2011	49 years / 01.07.2066	2020	24,034.00	6,014
7.	Yanzhuang Town Dachang Anpo Village, Jianhua Village, Ju Country Shandong	Lu (2017) Ju property rights No.0006660/ 01.11.2017	46 years / 08.11.2058	2020	64,426.96	6,501

## GROUP PROPERTIES PORTFOLIO (cont'd)



No.	Land No. / Location	State-owned Land Use Right Certificate No. / Certificate Issuance Date	Tenure / Expire of Tenure	Revaluation / Acquisition	Land Area (Square Metres)	Audited NBV as at 31.12.2020 RMB'000
8.	An Zhuang Zhen East Village, North Village, Ju Country Shandong	Juguoyong No. 2012-18/02.07.2012	44 years / 01.07.2062	2020	42,182.00	8,882
9.	An Zhuang Xiao Ma Jiayu Village, Huangjiahe village, Daxianfu Village, Ju Country, Shandong	Juguoyong No. 2012-30/02.07.2012	44 years / 01.07.2062	2020	58,038.00	12,222
10.	Xia Zhuang Town Liu Jiamiao Jiang Village, Ju Country Shandong	Juguoyong No. 2012-38/02.07.2012	44 years / 01.07.2062	2020	43,172.00	9,269
11.	Xia Zhuang Town Sun Jiapo Village, Ju Country Shandong	Juguoyong No. 2012-40/02.07.2012	44 years / 01.07.2062	2020	69,600.00	14,943
12.	Qishanshi Quanguan Zhuang Village, Ju Country Shandong	Juxian No. 01-2013-0022/02.03.2013	44 years / 01.03.2063	2020	80,000.00	17,255
13.	Qishanshi Quanguan Zhuang Village, Ju Country Shandong	Juxian No. 01-2013-0036/03.04.2013	44 years / 02.04.2063	2020	56,666.67	11,992
14.	Qishanshi Quanguan Zhuang Village, Ju Country Shandong	Juxian No. 01-2013-0038/04.04.2013	44 years / 03.04.2063	2020	13,333.33	2,767
	<b>Grand Total</b>				<b>736,732.96</b>	<b>151,926</b>



## GROUP PROPERTIES PORTFOLIO (cont'd)

### (ii) Leasehold Building and Infrastructure

Details of the Leasehold Building and Infrastructure held by our subsidiary, Shandong Hengbao are set out below :-

No.	Location	Description / Existing Use	Certificate of Real Estate Ownership No. / Certificate of Issuance Date	Built-up Area (Square Metres)	Approximate Age (Years)	Revaluation/ Acquisition	Audited NBV as at 31.12.2020 RMB'000
1.	<b>First Production Plant</b> North of Weifang Middle Road No. 1, Ju County Shandong Province PRC	A single-storey factory building and a five-storey workers' hostel, warehouse and workers' hotel	Lu (2017) Ju property rights No.0006660/01.11.2017	28,221.12	9	2020	33,826
2.	<b>Third Production Plant</b> North of Weifang Road No. 1, Ju County Shandong Province PRC	A single-storey factory building / Production plant	Lu (2016) Ju property rights No. 0000826/10.06.2011	23,938.00	4 – 11	2020	68,347
3.	<b>Head Quarter and R&amp;D Centre</b> North of Weifang Road No. 1, Ju County Shandong Province PRC	An eight storey office building equipped with R&D facilities	Ju Fang Quan Zheng Cheng Qu Zi No. 20134138/24.10.2013	14,851.35	8 – 11	2020	23,558
4.	<b>Incubation Facilities</b> ZhuDi North Avenue, West AnZhuang Town, Ju County Shandong Province PRC	A single storey factory building /hatching plant	Lu (2017) Ju property rights No. 0006656/01.11.2017	16,297.00	8 – 9	2020	26,015
5.	<b>Duck Farm 1</b> ZhuDi North Avenue, West AnZhuang Town, Ju County Shandong Province PRC	A duck farm completed 15 duck sheds	*	23,250.00	8 – 9	2020	12,329
6.	<b>Duck Farm 2</b> ZhuDi North Avenue, West AnZhuang Town, Ju County Shandong Province PRC	A duck farm completed 15 duck sheds	*	22,472.72	8 – 9	2020	11,133
7.	<b>Duck Farm 3</b> 2011-18 / ShiQuanGuanZhuang Village, QiShan Town, Ju County Shandong Province, PRC	A duck farm completed 15 duck sheds	*	16,008.00	8	2020	16,621
	<b>Grand Total</b>						<b>196,829</b>

\* The company has yet to receive certificate of real estate ownership as at todate



**DISTRIBUTION OF SHAREHOLDINGS AS AT 12 APRIL 2021**

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share
Less than 100	15	0.5302	500	0.0001
100 - 1,000	177	6.2566	98,700	0.0176
1,001 - 10,000	925	32.6971	6,306,200	1.1229
10,001 - 100,000	1,262	44.6094	50,377,000	8.9703
100,001 to less than 5% of issued shares	447	15.8006	339,781,600	60.5024
5% and above of issued shares	3	0.1060	165,036,000	29.3867
<b>Total</b>	<b>2,829</b>	<b>100.00</b>	<b>561,600,000</b>	<b>100.00</b>

**SUBSTANTIAL SHAREHOLDERS**

(ACCORDING TO THE COMPANY'S REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 12 APRIL 2021)

No. Name of Substantial Shareholder	No. of Shares held		No. of Shares held	
	Direct	%	Indirect	%
1 KEH CHUAN SENG	129,500,000	23.0591	-	-
2. CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR LGT BANK AG (FOREIGN)	35,536,000	6.3276	-	-
3 Shen Hengbao	-	-	35,536,000 <sup>(a)</sup>	6.3276

(a) Deemed interested by virtue of his interest in Hengbao Foodstuffs Holding Limited pursuant to Section 4A of the Companies Act of Singapore, Cap.50

**DIRECTORS' INTERESTS IN SHARES AS AT 12 APRIL 2021**

No. Name of Director	No. of Shares held		No. of Shares held	
	Direct	%	Indirect	%
1 Keh Chuan Seng	129,500,000	23.0591	-	-
2 Shen Hengbao	-	-	35,536,000 <sup>(a)</sup>	6.3276
3 Yang Chin Shen	-	-	-	-
4 Ho Pui Hold	-	-	-	-
5 Dato' Chow Chin Kiat	-	-	-	-
6 Khoo Chee Siang	-	-	-	-
7 Lee Ping Wei	-	-	-	-

(a) Deemed interested by virtue of his interest in Hengbao Foodstuffs Holding Limited pursuant to Section 4A of the Companies Act of Singapore, Cap.50



## STATISTICS OF SHAREHOLDINGS (cont'd)

AS AT 12 APRIL 2021

### LIST OF TOP THIRTY (30) LARGEST SECURITIES ACCOUNTS HOLDERS (ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 12 APRIL 2021)

No.	Name of Shareholders	No. of Shares	%
1	KEH CHUAN SENG	94,500,000	16.8269
2	CARTABAN NOMINEES (ASING) SDN BHD ( 263367W ) EXEMPT AN FOR LGT BANK AG (FOREIGN) FOR HENGBAO FOODSTUFFS HOLDING LIMITED	35,536,000	6.3276
3	MAYBANK NOMINEES (TEMPATAN) SDN BHD ( 258939H ) PLEDGED SECURITIES ACCOUNT FOR KEH CHUAN SENG	35,000,000	6.2322
4	HOOI JIA HAO	14,733,900	2.6236
5	LEOW CHOON CHANG	13,513,500	2.4063
6	SIM SHIAU TYNG	12,336,000	2.1966
7	LAM YEOW YIN	10,810,800	1.9250
8	KHOR WEI HAN	8,108,100	1.4438
9	CARTABAN NOMINEES (ASING) SDN BHD ( 263367W ) EXEMPT AN FOR BARCLAYS CAPITAL SECURITIES LTD (SBL/PB)	7,443,300	1.3254
10	NG WEI YEE	6,934,100	1.2347
11	CHIN CHIN SEONG	6,021,200	1.0722
12	PANG CHIN KAN	6,000,000	1.0684
13	YONG KIM SIONG	5,883,600	1.0476
14	YEONG JOO HOCK	5,012,100	0.8925
15	GAN BOON CHEW	4,900,000	0.8725
16	CHOO KIM HIN	4,452,900	0.7929
17	BROTHER ASSETS FUND HOUSE CORP.	4,356,700	0.7758
18	KOH KEAN LOON	4,319,800	0.7692
19	MAYBANK NOMINEES (TEMPATAN) SDN BHD ( 258939H ) CHUA ENG HO WA'A @ CHUA ENG WAH	4,000,000	0.7123
20	TAN SWOOI HENG	3,972,000	0.7073
21	KEH CHUAN CHOON	3,930,100	0.6998
22	GOH PHAIK LIM	3,808,000	0.6781
23	TAN CHOR KHAI	3,783,800	0.6738
24	WONG YONG LEE	3,762,000	0.6699
25	CHONG LOI TAI	3,434,200	0.6115
26	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. ( 41117T ) PLEDGED SECURITIES ACCOUNT FOR CHU KERD YEE (M01)	3,400,000	0.6054
27	LAM JI HO	3,000,000	0.5342
28	NG CHONG MING	3,000,000	0.5342
29	HSBC NOMINEES (ASING) SDN BHD ( 4381U ) SOCIETE GENERALE PARIS	2,971,100	0.5290
30	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD ( 42234H ) PLEDGED SECURITIES ACCOUNT FOR TAN JAI WEI (6000352)	2,800,000	0.4986
		<b>321,723,200</b>	<b>57.2873</b>



## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Fourteenth (14th) Annual General Meeting of the Company will be held at No. 17-04 Blk B, Austin V Square, Jln Austin Perdana 2, Taman Austin Perdana, 81100 Johor Bahru, Johor on Monday, 14 June 2021 at 9.00 a.m., to transact the following businesses:-

### AGENDA

- |   |   |
|---|---|
| 1. To receive the Audited Financial Statements of the Company and of the Group for the financial year ended 31 December 2020 together with the Reports of the Directors and Auditors thereon. | <b>(Please refer to Explanatory Note 1)</b> |
| 2. To re-elect Mr Ho Pui Hold, who retires pursuant to Article 104 of the Company's Articles of Association.  | <b>(Ordinary Resolution 1)</b>              |
| 3. To re-elect Dato' Chow Chin Kiat who retires pursuant to Article 111 of the Company's Articles of Association.   | <b>(Ordinary Resolution 2)</b>              |
| 4. To re-elect Mr Khoo Chee Siang who retires pursuant to Article 111 of the Company's Articles of Association.   | <b>(Ordinary Resolution 3)</b>              |
| 5. To re-elect Mr Lee Ping Wei who retires pursuant to Article 111 of the Company's Articles of Association.  | <b>(Ordinary Resolution 4)</b>              |
| 6. To re-elect Mr Keh Chuan Seng who retires pursuant to Article 111 of the Company's Articles of Association.  | <b>(Ordinary Resolution 5)</b>              |
| 7. To approve the payment of Directors' fees for the financial year ended 31 December 2020.   | <b>(Ordinary Resolution 6)</b>              |
| 8. To re-appoint Messrs UHY Lee Seng Chan & Co. as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.                                     | <b>(Ordinary Resolution 7)</b>              |
| 9. <b>Authority to Directors to Allot and Issue Shares</b>  | <b>(Ordinary Resolution 8)</b>              |

"THAT pursuant to the provisions of Section 161 of the Companies Act of Singapore, Cap. 50, and subject otherwise to the provisions of that Act and the Articles of association of the Company, the Directors be and are hereby authorised to issue shares of the Company to such persons and on such terms and conditions and with such rights or restrictions as they may think fit to impose, provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being, and subject always to the approval of all the relevant regulatory bodies having been obtained for such allotment and issue, and that such authority shall continue in force until the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

#### **As Special Business**

To consider and if thought fit, to pass the following Resolutions:

10. **SPECIAL RESOLUTION**  
**Proposed Adoption Of New Constitution**

"THAT approval be and is hereby given to revoke the existing constitution of the Company with immediate effect and in place thereof, the proposed new constitution of the Company, as set out in the "Appendix A" accompanying the Company's Annual Report for the financial year ended 31 December 2020 be and is hereby adopted as the constitution of the Company.

**(Special Resolution 1)**

AND THAT the directors of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."



## NOTICE OF ANNUAL GENERAL MEETING (cont'd)

11. To transact any other business of the Company for which due notice shall have been given.

By Order of the Board,

**KEH CHUAN SENG**

Non-Independent Non-Executive Chairman  
7 May 2021

### NOTES ON APPOINTMENT OF PROXY:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member and / or a qualified legal practitioner, an approved company auditor or a person approved by the Registrar of Companies.
2. Where a member duly executes the form of proxy but does not name any proxy, such member shall be deemed to have appointed the Chairman of the meeting as his/their proxy, provided always that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the member.
3. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportion of his holding to be represented by each proxy.
4. Where a member of the Company is an exempt authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provision of subsection 25A(1) of the Central Depositories Act which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. In the case of a corporate member, the instrument appointing a proxy shall be under its Common Seal or under the hand of an officer or attorney, duly authorised.
6. The instrument appointing a proxy must be deposited at the Company's Share Registrar's Office in Malaysia at Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor, Malaysia not less than 48 hours before the time for holding the Meeting or any adjournment thereof.
7. For the purpose of determining a member who shall be entitled to attend the 14th Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 4 June 2021. Only members whose name appears on the Record of Depositors as at 4 June 2021 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.
8. Please be informed that in the event the Movement Control Order is extended, the Company will make the necessary arrangement and announcement on details of the virtual Annual General Meeting via Bursa Securities and Company's website.

### EXPLANATORY NOTES

**1. Audited Financial Statements for the Financial Year Ended 31 December 2020**

The Agenda No. 1 is meant for discussion only as Section 174(5) of the Companies Act of Singapore provide that the audited financial statements are to be laid in the general meeting and does not require a formal approval of the shareholders. Hence, this Agenda item is not put forward for voting.

**2. Retirement of Director**

Article 104 of the Company' Articles of Association states that one-third (1/3) of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3) shall retire from office and be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires.



## NOTICE OF ANNUAL GENERAL MEETING (cont'd)

### 3. Ordinary Resolution 8 : Authority to Directors to Allot and Issue Shares

The Proposed Ordinary Resolution 8, if passed, is a renewal of the general mandate to empower the Directors to issue and allot shares up to an amount not exceeding 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the Company at a General Meeting, will expire at the next Annual General Meeting. The Proposed Ordinary Resolution 8, if passed, is a renewal of the General Mandate to empower the Directors to issue and allot shares up to an amount not exceeding 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the Company at a General Meeting, will expire at the next Annual General Meeting.

The General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s) workings capital and/or acquisitions.

As at the date of this Notice, a new issue of securities via private placement amounted 93,600,000 in the Company were issued pursuant to the general mandate granted to the Directors at 25 March 2021.

### 4. Special Resolution 1 : Proposed adoption of New Constitution

The Special Resolution, if passed, will align the Constitution of the Company with the Companies Act of Singapore, Cap.50 and Companies Act 2016 ("CA 2016") which came into force on 31 January 2017, the updated provisions of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad and the prevailing statutory and regulatory requirements as well as to provide clarity and consistency with the amendments that arise from the CA 2016 and MMLR.

### STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

No notice of nomination has been received to date from any member nominating any individual for election as a Director at the 14th Annual General Meeting of the Company. There is therefore no individual standing for election as Director, save for the above Director who are standing for re-election.

Further details of Director standing for re-election as Director is set out in his profile which appear in the Directors' Profile of this Annual Report and the details of his interests in the securities of the Company is disclosed in the Statistics of Shareholdings of this Annual Report.

Please refer to Explanatory Note 3 for information relating to general mandate for issue of securities.



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## PROXY FORM

I / We (Full Name in Block Letters) \_\_\_\_\_

NRIC No. / Passport No. / Company No. \_\_\_\_\_

of \_\_\_\_\_

being a member / members of **HB GLOBAL LIMITED**, hereby appoint \_\_\_\_\_

NRIC No. / Passport No. \_\_\_\_\_

of \_\_\_\_\_

and or \_\_\_\_\_

NRIC No. / Passport No. \_\_\_\_\_

of \_\_\_\_\_

or failing him/her, the Chairman of the Meeting as my / our proxy to vote and act on my / our behalf at the Fourteenth (14th) Annual General Meeting of the Company to be held at No. 17-04 Blk B, Austin V Square, Jln Austin Perdana 2, Taman Austin Perdana, 81100 Johor Bahru, Johor on Monday, 14 June 2021 at 9.00 a.m. and at any adjournment thereof.

The proportion of my/our\* holding to be represented by my/our\* proxies are as follows:

First Proxy (1)

Second Proxy (2)

My/our\* proxy is to vote as indicated below :

NO.	ORDINARY RESOLUTIONS	FOR	AGAINST
1.	To re-elect Mr Ho Pui Hold as Director.		
2.	To re-elect Dato' Chow Chin Kiat as Director.		
3.	To re-elect Mr Khoo Chee Siang as Director.		
4.	To re-elect Mr Lee Ping Wei as Director.		
5.	To re-elect Mr Keh Chuan Seng as Director.		
6.	To approve the payment of Directors' fees for the financial year ended 31 December 2020.		
7.	To re-appoint Messrs UHY Lee Seng Chan & Co. as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.		
8.	ORDINARY RESOLUTION To approve the ordinary resolution pursuant to Section 161 of the Companies Act of Singapore, Cap.50.		
9.	SPECIAL RESOLUTION To approve proposed Adoption of New Constitution		

Please indicate with "X" where appropriate against each resolution how you wish to cast your vote. In the absence of specific directions, the proxy may vote or abstain from voting in the resolutions as he / she may think fit.

Signature of Shareholder(s)

(If shareholder is a corporation, this part should be executed under seal)

Date :

### NOTES:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member and / or a qualified legal practitioner, an approved company auditor or a person approved by the Registrar of Companies.
2. Where a member duly executes the form of proxy but does not name any proxy, such member shall be deemed to have appointed the Chairman of the meeting as his/their proxy, provided always that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the member.
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4. Where a member of the Company is an exempt authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provision of subsection 25A(1) of the Central Depositories Act which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. In the case of a corporate member, the instrument appointing a proxy shall be under its Common Seal or under the hand of an officer or attorney, duly authorised.
6. The instrument appointing a proxy must be deposited at the Company's Share Registrar's Office in Malaysia at Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor, Malaysia not less than 48 hours before the time for holding the Meeting or any adjournment thereof.
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8. Please be informed that in the event the Movement Control Order is extended, the Company will make the necessary arrangement and announcement on details of the virtual Annual General Meeting via Bursa Securities and Company's website.

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Please affix  
postage stamp  
here

The Company Registrar's Office in Malaysia  
**HB GLOBAL LIMITED**  
c/o Boardroom.com Sdn Bhd  
Level 5, Block B, Dataran PHB,  
Saujana Resort, Section U2,  
40150 Shah Alam, Selangor, Malaysia

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**HB GLOBAL LIMITED**

(Company Registration No.:200608505W)

(Incorporated in Singapore under the Companies Act (Chapter 50) of Singapore)

[Malaysian Foreign Company Registration No.: 200902000048 (995221-H)]

(Registered as a foreign company in Malaysia under the Companies Act, 1965 of Malaysia)