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(incorporated in Cayman Islands with limited liability)

(Stock code: 8331)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2021

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the companies listed on GEM are generally small and mid-sized, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the “**Directors**”) P.B. Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

This announcement, containing the full text of the 2021 first quarterly report of the Company, complies with the relevant requirements of the GEM Listing Rules of Stock Exchange in relation to information to accompany preliminary announcements of the first quarterly results. This 2021 first quarterly results announcement of the Company is available for viewing on the websites of Stock Exchanges at www.hkex.com.hk and of the Company at www.thepbg.com.

FIRST QUARTERLY RESULTS

The board of Directors (the "Board") of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the three months ended 31 March 2021 (the "Reporting Period"), together with the comparative unaudited figures for the corresponding period in 2020 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2021

		Three months ended 31 March 2021 CNY'000 (Unaudited)	2020 CNY'000 (Unaudited)
	Notes		
Revenue	3	15,416	10,917
Cost of sales		(8,565)	(5,567)
Gross profit		6,851	5,350
Other income		399	587
Selling and distribution costs		(2,591)	(2,656)
Administrative and other expenses		(5,561)	(3,803)
Finance costs		(113)	(108)
Loss before taxation		(1,015)	(630)
Income tax expenses	5	(87)	(16)
Loss for the period		(1,102)	(646)
Other comprehensive loss for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(14)	–
Total comprehensive loss for the period		(1,116)	(646)
Loss for the period attributable to owners of the Company	6	(1,102)	(646)
Total comprehensive loss for the period attributable to owners of the Company		(1,116)	(646)
Loss per share (CNY):			
Basic and diluted	6	(0.14) cents	(0.10) cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2021

	Share capital CNY'000	Share premium CNY'000	Other reserve CNY'000	Statutory reserve CNY'000	Safety fund and production maintenance fund CNY'000	Foreign currency translation reserve CNY'000	Accumulated losses CNY'000	Total CNY'000
At 1 January 2020 (audited)	5,688	126,103	23,351	5,192	1,338	–	(81,505)	80,167
Loss for the period and total comprehensive income for the period	–	–	–	–	–	–	(646)	(646)
Appropriation to statutory reserve	–	–	–	6	–	–	(6)	–
Appropriation and utilisation of safety fund and production maintenance fund, net	–	–	–	–	27	–	(27)	–
At 31 March 2020 (unaudited)	<u>5,688</u>	<u>126,103</u>	<u>23,351</u>	<u>5,198</u>	<u>1,365</u>	<u>–</u>	<u>(82,184)</u>	<u>79,521</u>
At 1 January 2021 (audited)	6,753	130,704	23,351	6,390	1,552	282	(75,714)	93,318
Loss for the period	–	–	–	–	–	–	(1,102)	(1,102)
Exchange difference arising on translation of financial statement of foreign operation	–	–	–	–	–	(14)	–	(14)
Other comprehensive loss for the period	–	–	–	–	–	(14)	–	(14)
Total comprehensive loss for the period	–	–	–	–	–	(14)	(1,102)	(1,116)
Appropriation to statutory reserve	–	–	–	57	–	–	(57)	–
Appropriation and utilisation of safety fund and production maintenance fund, net	–	–	–	–	38	–	(38)	–
At 31 March 2021 (unaudited)	<u>6,753</u>	<u>130,704</u>	<u>23,351</u>	<u>6,447</u>	<u>1,590</u>	<u>268</u>	<u>(76,911)</u>	<u>92,202</u>

Notes:

(i) Other reserve

It represents (a) the capital contribution from the previous controlling shareholder, Mr. Li Feile of Feishang International Holdings Limited ("Feishang International") during the fiscal year of 2002 to 2003; and (b) the difference between the nominal value of the issued share capital of the Company and share capital of the then holding company, Feishang International, upon the group reorganisation.

(ii) Statutory reserve

As required by applicable law and regulations, entities established and operated in the People's Republic of China (the "PRC") shall set aside/appropriate a portion of its after tax profits of each period to fund statutory reserve. The statutory reserve is not distributable as cash dividends and must be made before distribution of dividend to equity owners.

(iii) Safety fund and production maintenance fund

As stipulated by the State Administration of Work Safety of the PRC, Wuhu Feishang Non-metallic Material Company Limited* (蕪湖飛尚非金屬材料有限公司) ("Feishang Material") is required to accrue the safety production fund and the production maintenance fund which is based on the production volume for the utilisation of future safety production expense.

* For identification purpose only

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 15 July 2015 and its shares were listed on the GEM of the Stock Exchange on 29 December 2015. Its ultimate controlling shareholder is Mr. Zhang Qiang (張強), who held approximately 34.57% interests in the Company, continued to be the single largest shareholder of the Company.

The address of the registered office of the Company is 71 Fort Street, P.O. Box 500, George Town, Grand Cayman KY1-1106, Cayman Islands and the address of the principal place of business of the Company is Room 402A, 4/F., Park Commercial Centre, 180 Tung Lo Wan Road, Causeway Bay, Hong Kong.

The Company is an investment holding Company. The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in bentonite mining, production and sales of drilling mud and pelletising clay and financial service business.

2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated financial results for the three months ended 31 March 2021 have been prepared in accordance with the applicable International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standard Board ("IASB") and the applicable disclosure requirements of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements for the three months ended 31 March 2021 are consistent with those adopted in the Group's annual financial statements for the year ended 31 December 2020. The Group has adopted new or revised standards, amendments to standards and interpretations of IFRSs which are effective for accounting periods commencing on or after 1 January 2021. The adoption of such new or revised standards, amendments to standards and interpretations does not have material impact on the consolidated accounts and does not result in substantial changes to the Group's accounting policies.

The Group has not early applied the new and revised IFRSs that have been issued but are not yet effective.

The unaudited condensed consolidated financial statements for the three months ended 31 March 2021 of the Group are presented in Chinese Yuan ("CNY"), which is also the functional currency of the Company. CNY is the currency of the primary economic environment in which the principal subsidiary of the Company operates (the functional currency of the principal subsidiary).

3. REVENUE

Revenue represents the sales of drilling mud and pelletising clay, wealth management service income, loan interest income and guarantee service fee income.

	Three months ended 31 March	
	2021	2020
	CNY'000	CNY'000
	(Unaudited)	(Unaudited)
Drilling mud	3,410	2,567
Pelletising clay	9,845	8,350
Total revenue of bentonite mining	13,255	10,917
Wealth management services income	1,581	–
Loan interest income	297	–
Guarantee service fee income	283	–
Total revenue of financial services	2,161	–
Total revenue	15,416	10,917

Geographical information

The Group's revenue is mainly derived from customers located in the People's Republic of China (the "PRC") and Hong Kong. Information about the Group's revenue by the geographical location in which the customers operate is detailed below:

	Three months ended 31 March	
	2021	2020
	CNY'000	CNY'000
	(Unaudited)	(Unaudited)
PRC excluding Hong Kong	13,538	10,917
Hong Kong	1,878	–
Total revenue	15,416	10,917

4. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports which provides information about components of the Group. Information are reported to and reviewed by the chief operating decision maker for the purposes of resource allocation and performance assessment.

For management purpose, the Group has two reportable and operating segments: (i) bentonite mining, production and sales of drilling mud and pelletising clay and (ii) financial services business.

5. INCOME TAX EXPENSES

	Three months ended 31 March	
	2021	2020
	CNY'000	CNY'000
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax ("EIT")	101	40
Deferred taxation:		
Current period	(14)	(24)
	87	16

Notes:

- (a) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (b) No provision for Hong Kong profits tax has been made in the financial statements as the Group has sufficient tax losses brought forward to cover the estimated assessable profit for the Reporting Period (three months ended 31 March 2020: Nil).
- (c) Under the Law of the PRC on EIT (the "EIT Law") and implementation regulation of the EIT Law, the tax rate of the subsidiary established in the PRC other than Feishang Material is 25% for both periods.
- (d) Feishang Material was recognised as a High Technology Enterprise and subject to PRC income tax at 15% in accordance with the EIT Law effective for both periods.

6. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following:

	Three months ended 31 March	
	2021	2020
	CNY'000	CNY'000
	(Unaudited)	(Unaudited)
Loss		
Loss attributable to the owners of the Company for the purpose of basic and diluted loss per share	(1,102)	(646)
	Three months ended 31 March	2020
	2021	(Unaudited)
	(Unaudited)	
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share ('000 shares)	795,572	670,572
Basic and diluted loss per share (CNY)	(0.14) cents	(0.10) cents

The diluted loss per share is equal to the basic loss per share as there were no dilutive potential ordinary shares outstanding for both periods.

7. DIVIDEND

The Board has resolved not to declare any interim dividend for the three months ended 31 March 2021 (three months ended 31 March 2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Bentonite Mining

Stepping into 2021, while the outbreak of the novel coronavirus ("COVID-19") continued to escalate in some countries and cause disruptions in business operations and to the economy, the People's Republic of China (the "PRC") has continued to keep COVID-19 under control and achieved strong economic growth as compared to the corresponding period in 2020. During the first quarter of 2021, the PRC 's gross domestic product ("GDP") grew at a rate of 18.3% year-on-year. This is a major rebound following the historic contraction of the economy caused by the COVID-19. The PRC 's economy shrank 6.8% in the first quarter of 2020 following lockdowns to curb the spread of COVID-19. Industrial production, consumption and investment in fixed assets, real estate and infrastructure construction all enjoyed steady recovery, lending support to bentonite demand from downstream industries including the iron and steel and energy sectors. As a result of the steady recovery of the economy and the downstream industries, the Group recorded an increase in revenue as compared to the corresponding period in 2020 despite a drop in gross profit margin. However, there remains uncertainty as to how the evolving COVID-19 pandemic will impact the global economy and the Group's business in the near future. Any widespread resurgence of COVID-19 could cause further disruptions to production and demand and fluctuations in prices, which will negatively impact the Group's results of operations.

Financial Services

Apart from the production and sale of bentonite products in the PRC, the Group has also carried out business on financial service business, including money lending business and wealth management services in Hong Kong as well as generating financial guarantee fee income in the PRC.

During the Reporting Period, the business and operation environments of financial services remain challenging in Hong Kong as the pandemic has yet to be brought under control, and economic activities and confidence have not fully recovered. The performance of this business segment remained stable during the Reporting Period.

FINANCIAL REVIEW

Revenue

The overall revenue increased by 41.2% from approximately CNY10.9 million for the three months ended 31 March 2020 to approximately CNY15.4 million for the Reporting Period. The increase in revenue was mainly contributed by the revenue of approximately CNY1.9 million of financial services business in Hong Kong which was acquired in November 2020 and the increased revenue from bentonite mining business.

The revenue of bentonite mining increased by approximately 21.4% from approximately CNY10.9 million for the three months ended 31 March 2020 to approximately CNY13.3 million for the Reporting Period. The increase in revenue was mainly contributed by the increase in sales volume of both pelletising clay and drilling mud, which was partly offset by the decrease in average selling price of both pelletising clay and drilling mud. Due to the difficult macroeconomic environment, the Group adopted strategy with competitive price to retain current customers and expand new customers. The total sales volume recorded an increase by approximately 21.9% compared with the corresponding period in 2020.

Gross Profit and Gross Margin

The overall gross profit increased by approximately 28.1% from approximately CNY5.4 million for the three months ended 31 March 2020 to approximately CNY6.8 million for the Reporting Period, and the overall gross profit margin decreased from approximately 49.0% for the three months ended 31 March 2020 to approximately 44.4% for the Reporting Period. The increase in the overall gross profit was mainly the increase in sales volume of both pelletising clay and drilling mud and the contribution of revenue of financial services business. The decrease in overall gross profit margin was caused by the combined effect of (i) drop in average selling price of both pelletising clay and drilling mud, (ii) increase in unit cost of sales of pelletising clay and (iii) the lower gross profit margin of financial services business.

Other Income

Other income decreased by 32.0% from approximately CNY587,000 for the three months ended 31 March 2020 to approximately CNY399,000 for the Reporting Period. The decrease was mainly due to the classification of guarantee service fee income of approximately CNY283,000 was classified as other income for the three months ended 31 March 2020 and subsequently reclassified as revenue in financial services business.

Selling and Distribution Costs

The selling and distribution costs decreased by approximately 2.4% from approximately CNY2.7 million for the three months ended 31 March 2020 to approximately CNY2.6 million for the Reporting Period. This was due to the tighter control of expenses in 2021 and in particular unit transportation cost.

Administrative and Other Expenses

The administrative and other expenses increased by approximately 46.2% from approximately CNY3.8 million for the three months ended 31 March 2020 to approximately CNY5.6 million for the Reporting Period. The increase were mainly due to (i) the increase in legal and professional fees relating to the failure of the suppliers to refund the trade deposits to the Company and (ii) the operating expenses of financial services business in Hong Kong which was acquired in November 2020.

Finance Costs

The finance costs increased by approximately 4.6% from approximately CNY108,000 for the three months ended 31 March 2020 to approximately CNY113,000 for the Reporting Period. No material fluctuation was noted during the Reporting Period.

Income Tax Expense

The Group had an income tax expense of approximately CNY87,000 for Reporting Period as compared to income tax expenses approximately CNY16,000 for the three months ended 31 March 2020. The increase was mainly due to an increase in the profit before tax of bentonite mining business.

Loss and Total Comprehensive Loss for the Period

Due to the combined effect of the aforesaid factors, the loss and total comprehensive loss attributable to the owners of the Company for the Reporting Period was approximately CNY1,116,000, an increase of approximately CNY470,000 from approximately CNY646,000 for the three months ended 31 March 2020.

Currency Exposure and Management

Since the majority of the Group's business activities are transacted in CNY, the Directors consider that the Group's risk in foreign exchange is insignificant.

Contingent Liabilities

As at 31 March 2021, the Group did not have any significant contingent liabilities.

OUTLOOK

The PRC has generally kept COVID-19 under control, and economic activities and confidence have rapidly recovered. The Chinese government has implemented strong fiscal and monetary stabilizing policies to further boost the PRC 's GDP growth by building a strong domestic market and supporting the domestic and international "dual circulation" strategy. Investment in fixed assets, real estate and infrastructure construction is expected to maintain solid growth, which will then support bentonite demand from downstream industries including the iron and steel and the energy sectors. Nevertheless, it would be difficult to gauge the longer term impact of such events as the situation is dynamically revolving. The Group has been proactive in closely monitoring the market conditions and taking appropriate measures to respond to the challenges. The Group will also continue to strengthen its cost control and resources management as well as to actively participate in project tenders, in order to maintain its competitiveness in the market.

Within the bentonite industry, uncertainties due to COVID-19 and international trade conflicts will cause market competition to further intensify and prices to fluctuate. Meanwhile, the new series of real estate market regulation and control policies and the PRC 's ambitious target to achieve carbon neutrality by 2060 are expected to adversely affect the iron and steel and the traditional energy industries in the long term, which will negatively impact the Group's business by imposing pressures on demand for pelletising clay and drilling mud. The Group strives to maintain the sales volume of its bentonite products by improving product quality and adhering to the "selling more with lower margin" strategy, and yet the Group may not be able to maintain the current level of gross profit margin in the coming months. The Group intends to continue expanding its customer base and market share by boosting product awareness of its bentonite products, refining its production technology and developing new products with a view to enhance the Group's overall competitiveness to cope with the risks and uncertainties of the business environment.

In view of the COVID-19 pandemic situation in Hong Kong, the Group expects the business environment in financial services, including wealth management and money lending business would be challenging in the year 2021. However, with the expectation of increasing awareness in wealth management in recent years, as well as the probable easing of travel restrictions between Hong Kong and the PRC, the Group remains cautiously optimistic in the medium and long-term development of this business segment in Hong Kong. Meanwhile, the Group will cautiously monitor market change and impose robust control measures to improve cost efficiency and risk management in order to provide a solid foundation for sustainable growth in the future.

CAPITAL COMMITMENTS

As at 31 March 2021, the Group did not have significant capital commitments.

DIVIDEND

In order to retain resources for the Group's business development, the Board does not recommend the payment of a dividend for the Reporting Period (three months ended 31 March 2020: Nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2021, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director or chief executive is taken or deemed to have under such provisions of the SFO) or which were required to be entered into the register required to be kept by the Company under section 352 of the SFO or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard of Dealings"), were set out below:

Name of Directors or chief executives	Long/Short position	Capacity	Number of Shares	Percentage of the issued shares	
				Notes	(%)
CHAN Man Fung	Long Position	Interests of a controlled corporation	125,000,000	1	15.71
	Long Position	Beneficial owner	33,410,000		4.20
			158,410,000		19.91
PUI Wai Lun	Long Position	Interests of a controlled corporation	125,000,000	1	15.71

Notes:

1. P.B. Asia Holdings Limited is owned as to 50% by Dr. CHAN Man Fung and 50% by Mr. PUI Wai Lun. By virtue of the SFO, Dr. CHAN Man Fung and Mr. PUI Wai Lun are deemed to be interested in these 125,000,000 Shares.

SHARE OPTION SCHEME

A share option scheme was adopted by the Company on 12 December 2015 (the “Share Option Scheme”), under which the Board may, at its discretion, offer any Eligible Participant (as hereinafter defined) options to subscribe for the Shares subject to the terms and conditions stipulated therein. The Share Option Scheme is valid and effective for a period of 10 years from the Listing Date (the “Scheme Period”). The purpose of the Share Option Scheme is to recognise and acknowledge the contributions of Eligible Participants to the Group by granting options to them as incentives or rewards. An Eligible Participant may include any (a) executive, employee, director, consultant, adviser and/or agent of any member of the Group; and (b) any other person who has contributed to the success of the listing of the Company on GEM, in each case, as determined by the Board.

As at 31 March 2021, no options had been granted, exercised or cancelled pursuant to the Share Option Scheme.

SUBSTANTIAL SHAREHOLDERS’ INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2021, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executives of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of substantial shareholders	Long/short position	Capacity	Number of shares	Percentage of the issued shares	
				Notes	(%)
Mr. ZHANG Qiang	Long position	Beneficial owner	275,000,000		34.57
Ms. WANG Jie	Long position	Interest of spouse	275,000,000	1	34.57
P.B. Capital Advanced Fund SPC – P.B. Capital Advance Fund 1 Segregated Portfolio	Long position	Beneficial owner	111,762,000		14.05
P.B. Asia Holdings Limited	Long position	Beneficial owner	125,000,000		15.71

Notes:

- Ms. WANG Jie is the spouse of Mr. ZHANG Qiang. Therefore, Ms. WANG Jie is deemed to be interested in the Shares in which Mr. ZHANG Qiang is interested.

Save as disclosed above, as at 31 March 2021, no other interests or short positions in the shares or underlying shares of the Company were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the “CG Code”) as contained in Appendix 15 to the GEM Listing Rules as its own code of corporate governance. Throughout the Reporting Period, the Company has complied with the code provisions as set out in the CG Code.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by Directors in respect of the shares of the Company (the “Code of Conduct”). The Company has made specific enquiry to all Directors, and all Directors have confirmed that they have fully complied with the required standard of dealings set out in the Code of Conduct throughout the Reporting Period. The Company also has written guidelines regarding securities transactions on terms no less exacting than the required standard set out in the Required Standard of Dealings for senior management and any individuals who may have access to inside information in relation to the securities of the Company.

DIRECTORS’ INTEREST IN COMPETING BUSINESS

During the Reporting Period, none of the Directors and controlling shareholders of the Company or their respective close associates (as defined in the GEM Listing Rules) had any interest in a business that competes or may compete with the business of the Group and any other conflicts of interests which such person had or may have with the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company although there are no restrictions against such rights under the laws of Cayman Islands.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

There was no purchase, sale or redemption of the shares by the Company or any of its subsidiaries throughout the Reporting Period.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no other significant investment, material acquisition and disposal during the Reporting Period.

PUBLIC FLOAT

As at the date of this report, based on the information that is publicly available to the Company and within the knowledge of the Directors, there was sufficient public float of not less than 25% of the Company's issued Shares as required under the GEM Listing Rules.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining a sound and effective internal control and risk management systems. Such systems are in place and designed to manage risks and provide reasonable assurance against any material misstatement or loss in order to safeguard the interests of the shareholders and the assets of the Group against unauthorized use or disposition, ensuring maintenance of proper books and records for the provision of reliable financial information, and ensuring compliance with the relevant rules and regulations.

As at 31 March 2021 and the date of this report, save as disclosed otherwise, the business environment and regulatory environment in which the Group operates have not witnessed any material change, and internal operations and management and financial operations have been running smoothly, and thereby no other major risk factors need to be disclosed separately. In accordance with the CG Code contained in Appendix 15 to the GEM Listing Rules, the Group continuously improves the risk management and internal control systems and updates a number of policies. The Board believes that these measures will strengthen the risk management and internal control systems of the Group.

OTHER INFORMATION

Prepayment to suppliers

Reference was made to the Company's 2018, 2019 and 2020 Annual Reports, and 2019 and 2020 Interim Reports, regarding the failure of the suppliers namely Lituo Enterprise (HK) Limited, Trade Rosy Global Limited and Kai Muk Company to refund the trade deposits in the total amount of approximately CNY57.8 million to the Company. The Company has:

- i) instituted legal proceedings against Lituo Enterprise (HK) Limited on 18 October 2018 to recover outstanding deposits amounted to HK\$10,930,000 under High Court Action No. 2449 of 2018. Lituo Enterprise (HK) Limited filed its defence on 28 November 2018. Upon counsel's advice, the Company considered to have taken out summary proceedings against Lituo Enterprise (HK) Limited pursuant to Order 14 of the Rules of High Court, Cap 4A of the Laws of Hong Kong. However, after thoroughly considered the evidence of the case, counsel advised that it would be quite difficult to obtain summary Judgment against Lituo Enterprise (HK) Limited by way of summary proceedings and advised that the case should proceed normally to trial. The Company adopted such advice given by counsel and thereby decided not to proceed to summary proceedings. Accordingly, the Company's legal representatives have followed the normal civil procedures in proceedings. Up to date, the parties have yet to agree the usual order of directions for fixing timeline for the parties to make discovery of documents and exchange of statements of witnesses. Accordingly, the Company will make an appropriate application to the court for directions relating to the management of the case. The case is in progress;

- ii) instituted legal proceedings against, Lituo Enterprise (HK) Limited and another company (“the 2nd Defendant”) which was the payee designated by Lituo Enterprise (HK) Limited under the underlying contract, to recover outstanding deposits amounted to HK\$35,000,000 under High Court Action No. 2450 of 2018. Lituo Enterprise (HK) Limited filed its defence on 28 November 2018. Whereas the 2nd Defendant, which is incorporated in British Virgin Islands (BVI), has never responded to the case and on 15 May 2020, the court granted final judgment against the 2nd Defendant upon the Company’s application. Thereafter, the Company has appointed BVI lawyers to execute and enforce the judgement by way of presenting a winding-up petition against the 2nd Defendant. An Appointment for the appointment of Mr. John David Ayres of FTI Consulting (BVI) Limited and Mr. Chow Wai Shing Daniel of FTI Consulting (BVI) Limited as joint liquidators of the 2nd Defendant was made by the Company to The High Court of Justice Virgin Islands under Claim No. BVIHC (COM) 0029 of 2021 and such application was heard on Monday 19 April 2021. Pursuant to an Order dated 19 April 2021 in the Eastern Caribbean Supreme Court in the High Court of Justice Virgin Islands under Claim No. BVIHC (COM) 0029 of 2021, it was ordered, inter alia, that Mr. John David Ayres of FTI Consulting (BVI) Limited and Mr. Chow Wai Shing Daniel of FTI Consulting (BVI) Limited be appointed as joint and several liquidators of the 2nd Defendant. The case is in progress;
- iii) issued demand letter to Trade Rosy Global Limited requesting the refund of deposits amounted HK\$14,500,000 on 1 November 2018. Trade Rosy Global Limited does not respond and has failed and/or refused to pay the deposit or any part thereof. Thereafter, there had been discussion by the Company with its legal adviser to explore the alternate legal action to institute winding up proceedings against Trade Rosy Global Limited in British Virgin Islands. However, based on the limited information about Trade Rosy Global Limited and its lack of response, the Board considered that the lengthy period of time and substantial legal costs and expenses to be incurred if it were to initiate legal proceedings against Trade Rosy Global Limited to recover the deposit. Accordingly, the Board considered that it would be in the best interest of the Company and its shareholders as a whole to refrain from taking any further action against Trade Rosy Global Limited for the time being until there is a better chance to seek meaningful remedial actions to recover the deposit from Trade Rosy Global Limited; and

- iv) instituted legal proceedings against Tong Chung Ming trading as Kai Muk Company to recover the remaining balance of a deposit amounted HK\$8,530,000 under High Court Action No. 1767 of 2018. The trial of the case was heard from 7 to 10 December 2020. By a Judgment dated 20 January 2021, it was adjudged that there be Judgment entered for the Company in the sum of HK\$8,530,000 with interest at HSBC Prime + 1% from 31st March 2018 to the date of Judgment, and at the Judgment Rate thereafter and there is a costs order Nisi that Tong Chung Ming trading as Kai Muk Company is to pay the Company's costs to be taxed if not agreed. The Company is now enforcing the Judgment.

As disclosed in the 2018 Annual Report dated 7 March 2019, full provision for impairment for the possible unrecoverable prepayments to the Lituo Enterprise (HK) Limited, Trade Rosy Global Limited and Kai Muk Company had been made by the Company during the year ended 31 December 2018.

The Company will make further announcement(s) and/or update the above in its financial reports to inform its Shareholders and potential investors of any material development of the above court proceedings or recovery of judgment debt as and when appropriate.

As save as above, there is no material event undertaken by the Company or the Group subsequent to 31 March 2021 and up to the date of this report.

EVENTS AFTER THE REPORTING PERIOD

There have been no other material events occurring after the Reporting Period and up to the date of this report.

AUDIT COMMITTEE

The Company has an audit committee (“Audit Committee”) which was established in accordance with the requirements of the GEM Listing Rules for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Audit Committee comprises three independent non-executive Directors, namely, Mr. LEE Ming Tung (chairman of the Audit Committee) (resigned on 23 April 2021), Mr. YIP Chong Ho Eric (chairman of the Audit Committee) (appointed on 23 April 2021), Mr. CHOW Chi Hang Tony and Mr. ZHANG Kun. The Audit Committee meets regularly with the Company’s senior management and the Company’s auditors to consider the Company’s financial reporting process, the effectiveness of internal controls, the audit process and risk management. The unaudited condensed consolidated financial statements of the Group for the Reporting Period have been reviewed by the Audit Committee, which was of the opinion that the preparation of such statements complied with applicable IFRSs and that adequate disclosure has been made in respect thereof.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises (i) four executive Directors, namely Dr. CHAN Man Fung (Co-chairman), Mr. PUI Wai Lun (Co-chairman), Mr. SU Chun Xiang and Mr. PANG Ho Yin; and (ii) three independent non-executive Directors, namely Mr. YIP Chong Ho Eric, Mr. CHOW Chi Hang Tony and Mr. ZHANG Kun.

By Order of the Board

P.B. Group Limited

CHAN Man Fung

Executive Director and Co-chairman

Hong Kong, 13 May 2021

* *The English name is for identification purpose only*

By order of the Board
P.B. Group Limited
Chik Wai Chun
Company Secretary

Hong Kong, 13 May 2021

As at the date of this announcement, the Board comprises (i) four executive Directors, namely Dr. CHAN Man Fung (Co-chairman), Mr. PUI Wai Lun (Co-chairman), Mr. SU Chun Xiang and Mr. PANG Ho Yin; and (ii) three independent non-executive Directors, namely Mr. YIP Chong Ho Eric, Mr. CHOW Chi Hang Tony and Mr. ZHANG Kun.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least seven days from the day of its publication. This announcement will also be published on the Company’s website at www.thepbg.com.