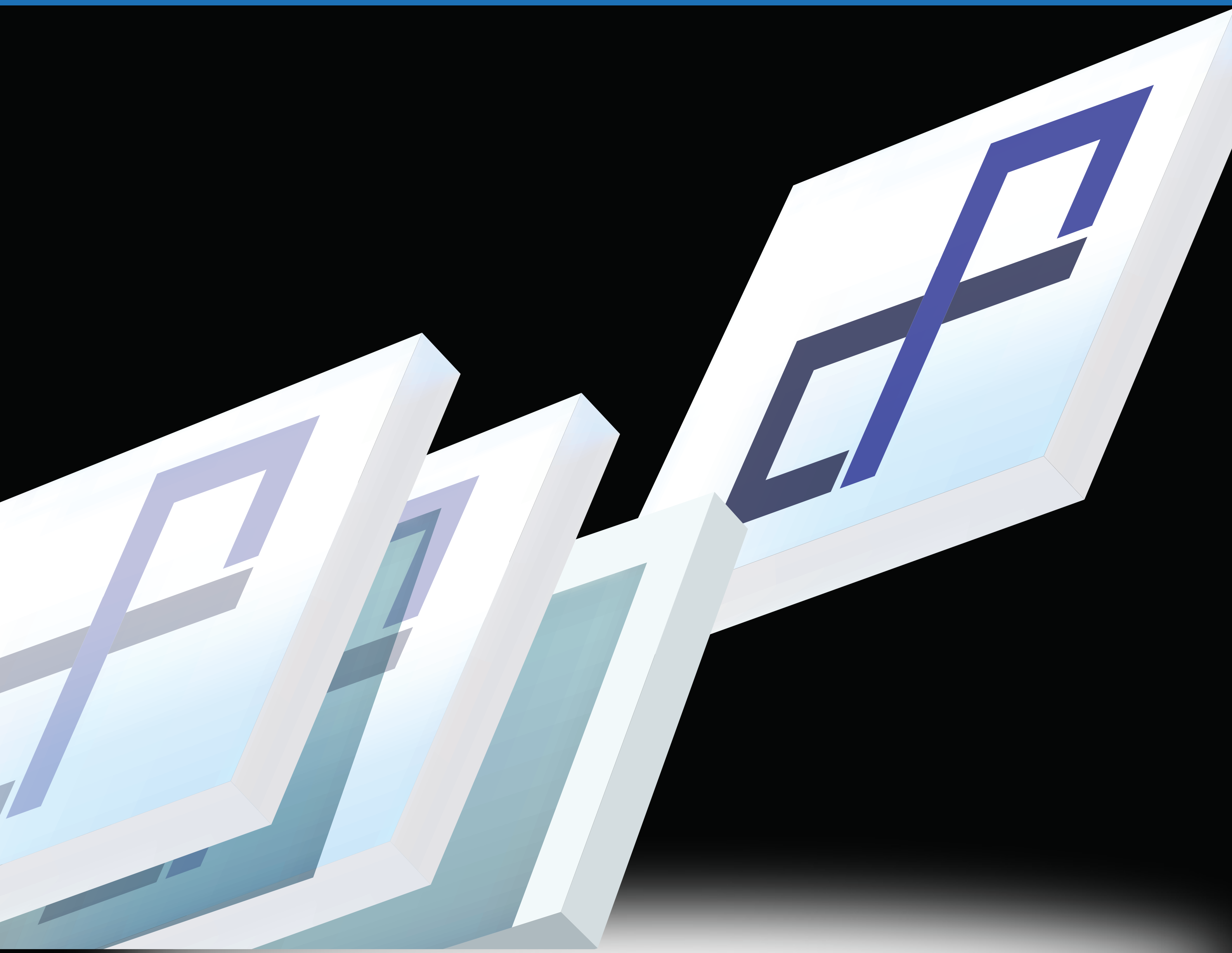
P.B. Group Limited
倍搏集團有限公司

(incorporated in Cayman Islands with limited liability)

(Stock code: 8331)



2021
ANNUAL REPORT

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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This report, for which the directors (the "Directors") of 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 report 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 report misleading.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors
Dr. CHAN Man Fung *(Co-chairman)*
Mr. PUI Wai Lun *(Co-chairman)*
Mr. SU Chun Xiang
Mr. PANG Ho Yin *(Chief Executive Officer)*

Independent Non-executive Directors
Mr. YIP Chong Ho Eric (appointed on 23 April 2021)
Mr. CHOW Chi Hang Tony
Mr. ZHANG Kun

AUTHORISED REPRESENTATIVES

Dr. CHAN Man Fung
Ms. CHIK Wai Chun

COMPANY SECRETARY

Ms. CHIK Wai Chun

COMPLIANCE OFFICER

Mr. SU Chun Xiang

AUDIT COMMITTEE

Mr. YIP Chong Ho Eric *(Chairman)*
(appointed on 23 April 2021)
Mr. CHOW Chi Hang Tony
Mr. ZHANG Kun

NOMINATION COMMITTEE

Mr. CHOW Chi Hang Tony *(Chairman)*
Mr. YIP Chong Ho Eric (appointed on 23 April 2021)
Mr. ZHANG Kun

REMUNERATION COMMITTEE

Mr. YIP Chong Ho Eric *(Chairman)*
(appointed on 23 April 2021)
Mr. CHOW Chi Hang Tony
Mr. ZHANG Kun

AUDITORS

BDO Limited
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

REGISTERED OFFICE

71 Fort Street
P.O. Box 500, George Town
Grand Cayman KY1-1106
Cayman Islands

HONG KONG OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 402A, 4/F
Park Commercial Centre
180 Tung Lo Wan Road
Causeway Bay, Hong Kong

COMPANY'S WEBSITE

www.thepbg.com

COMPANY'S STOCK CODE

8331.HK

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Global Services (Cayman) Limited
71 Fort Street
P.O. Box 500, George Town
Grand Cayman KY1-1106
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

LEGAL ADVISERS

(As to Cayman Islands Law)
Appleby Global Services (Cayman) Limited

PRINCIPAL BANKERS

Bank of China Limited (Wuhu branch)
Industrial and Commercial Bank of China
(Fanchang branch)

Chairmen's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of P.B. Group Limited and its subsidiaries (collectively, the "Group"), we hereby present the audited consolidated results of the Group for the year ended 31 December 2021 (the "Year").

During the Year, the Group's revenue was approximately CNY70.9 million (2020: CNY55.7 million), of which the Bentonite Mining business in the People's Republic of China (the "PRC") recorded a segment revenue of approximately CNY60.7 million (2020: CNY52.2 million), accounting for approximately 86% of the Group's revenue. The increase in revenue was mainly contributed by recovery of macroeconomics in the PRC and the lockdown of Hubei province were released compared to the corresponding period in 2020.

Although the PRC has generally kept COVID-19 under control, and economic activities and confidence have rapidly recovered, it is expected that the uncertainties due to COVID-19, international trade conflicts, Russo-Ukrainian War and the new series of real estate market regulation and control policies will continue causing price fluctuation on iron and steel and causing pressure on 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 expect that the Bentonite Mining business remain challenging in the coming year. The Group will continue adhere to prudent financial management and cost control for this segment.

For Financial Services business segment, as the subsidiaries, P.B. Nikyo Wealth Management Limited (formerly known as Nikyo Insurance Brokers Limited) ("P.B. Nikyo") and P.B. Credit Limited (formerly known as P.B. Investment Limited) ("P.B. Credit"), were newly acquired by the Company in November 2020. As disclosed in the interim report of the Company for the six months ended 30 June 2021 and third quarterly report for the nine months ended 30 September 2021, it has been a challenging year for the Financial Services segment including wealth management and money lending business, as the COVID-19 has unfortunately persisted, which brought lingering impacts to the operation of the Financial Services segment during the year 2021. The revenue of Financial Services segment amounted to approximately CNY10.2 million for the Year, accounting for approximately 14% of the Group's revenue (November-December 2020: CNY3.5 million). As Hong Kong's exit strategy needs to balance virus risks and reopening of border , the Group expects that the business environment in financial services, including wealth management and money lending business, would remain challenging in the year 2022. Nevertheless, 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 Mainland China, the Group remains cautiously optimistic in the medium and long-term development of wealth management business of the Group.

From the last twelve months, we believe the key lesson is that the economic environment could be fast changing and unpredictable, the only way to ease market pressure is to 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.

On behalf of the Board, we would like to express our sincerest gratitude to our shareholders, customers and suppliers for their continuous support. We would also like to send our warmest thanks to all our management and staff members for their hard work and dedication throughout the years.

CHAN Man Fung
Co-chairman

PUI Wai Lun
Co-chairman

Hong Kong, 25 March 2022

Management Discussion and Analysis

BUSINESS REVIEW

Bentonite Mining

In 2021, China had recovered substantially and attained GDP growth of 8.1%. The cycle of supply and demand is smooth with confidence in market and increased domestic demand. With the effective control of the COVID-19 outbreak, the downstream demands for the bentonite products increase. During the year 2021, revenue of the bentonite increased approximately 16.2% from 52.2 million in 2020 to 60.7 millions in 2021. However, the price of Soda, a vital auxiliary material, increased dramatically in the fourth quarter of 2021 which brought the cost of bentonite increased and the profit margin decreased. In the next year, the management will continue to increase the sales volume to the Company's core customers, improve the volume and control the cost, and further improve business.

Financial Services

Apart from the production and sale of bentonite products in the People's Republic of China (the "PRC"), the Group has also carried out its business on financial services in Hong Kong through its wholly-owned subsidiaries – P.B. Nikyo Wealth Management Limited (formerly knwon as Nikyo Insurance Brokers Limited) ("P.B. Nikyo") and P.B. Credit Limited (formerly known as P.B. Investment limited) ("P.B. Credit") as well as generating financial guarantee fee income through Wuhu Feishang Non-metal Materials Co., Limited*（蕪湖飛尚非金屬材料有限公司）, a wholly-owned subsidiary of the Group in the PRC. The financial services of the Group include the wealth management services, money lending business and financial guarantee fee income.

P.B. Nikyo is a company incorporated in Hong Kong with limited liability and is a licensed insurance intermediary under the Insurance Ordinance (Cap. 41 of the Laws of Hong Kong). It is also registered as an MPF Corporate Intermediary with the Mandatory Provident Fund Schemes Authority in accordance with the Mandatory Provident Fund Intermediary Certificate issued by the Mandatory Provident Fund Schemes Authority. P.B. Credit is a company incorporated in Hong Kong with limited liability and has been carried on business as a money lender under the Money Lenders Ordinance.

Wealth Management Services

In 2021, the outbreak of COVID-19 pandemic and its consequential travel restrictions situation have unfortunately persisted, it stopped new business sales from Mainland Chinese visitors. Moreover, some of the insurance providers have stopped offering certain popular products at the beginning of the year of 2021.

Nevertheless, we strived to navigate our businesses of wealth management services during this challenging year. Our immediate priority was to ensure the safety of our employee while providing uninterrupted service to our customers, agents and business partners. We strive to develop Hong Kong's domestic customer market, because of containment measures limiting face-to-face sales, we coordinated with our business partner and optimize the business flow with agency force as well as administrative support. In order to cater for the demand of different clients through increasing product varieties and enhance the product competitiveness, the Group introduced some new insurance providers who have the most popular products in the market and the Group eventually signed the cooperation agreements in the third quarter of 2021.

Our agency team member continued to grow and achieved 37% growth in agency force, supported by a shift to online recruitment, onboarding and training. These arrangements supported the recovery in sales momentum in Hong Kong's domestic customer markets. As a result, we see our business regaining good momentum and we achieved 54% growth of value of new business for the long-term business of insurance brokerage in 2021 comparing to 2020.

* For identification purpose only

Management Discussion and Analysis

Key performance indicator of wealth management services

		2021	2020	Change
Value of new business (note 1 and note 2)	*HK$'000*	**3,045**	1,975	54.2%
Persistency Rate of insurance policy	*Percentage*	**98.18**	97.23	1.0%
Agency force	*Number of agent*	**41**	30	36.7%

Note 1:

The value of new business is defined as the annualised first year commission, which is the basic commission paid to agency force, generated from the insurance policy issued during the year.

Note 2:

The wealth management business was acquired by the Group in November 2020. In order to establish a more consistent comparative figure, the value of new business in 2020, which was unaudited, was the same period compared to the value in 2021.

The Company has applied approximately HK$3.9 million from the proceeds from the rights issue as scheduled for supporting the operation and expansion of this business segment, including but not limited to promoting the business, attracting more customers and recruiting new staff to expand the business team.

Money Lending Business

Hong Kong's GDP has a growth of 4.8% year-on-year (YoY) in the last quarter of 2021, supported by improved export performance and growth of private consumption. Private consumption also has a 7.3% growth compared to 2020 reflecting improved sentiments and impact of the consumption voucher campaign and eased social distancing measures. Labor market conditions have improved with the unemployment rate at 3.9% at the last quarter of 2021 compared to 6.6% in December 2020. The improvements of labour market contributed to improved consumer financial health and lead to positive growth in demand and supply for credit of money lending in 2021. Overall, the credit demand and supply are a blended recovery picture for the Hong Kong market. Taking the opportunity of recovery of the Hong Kong economy, the Group has adopted a prudent and consistent business strategy to expand the money lending business and to reduce the risks from high-risk loans. During the Year, the Company has applied approximately HK$1.9 million from the proceeds from the rights issue as scheduled for supporting the operation and expansion of the money lending business of the Group.

Revenue Guarantee

Reference were made to the announcements of the Company dated 23 October 2020 and 5 November 2020 in relation to the acquisition of the entire issued share capital of P.B. Capital One Holdings Limited (formerly known as P.B. Group Limited, the "Target Company") which is an investment holding company incorporated in the Cayman Islands with limited liability. Under and pursuant to the terms and conditions of the agreement dated 23 October 2020 (the "Agreement"), the Vendor has conditionally agreed to sell to the Company and the Company has conditionally agreed to purchase from the Vendor the Sale Share, representing the entire issue share capital of the Target Company at the consideration of HK$9,000,000, by involving the allotment and issue by the Company to Vendor of 125,000,000 Consideration Shares, at an issue price of HK$0.072 per Consideration Shares under General Mandate. The acquisition was completed on 5 November 2020. The Target Company and its wholly-owned subsidiaries, being P.B. Nikyo, P.B. Credit and P.B. Charity Limited, have been consolidated into the accounts of the Group since 5 November 2020. As at acquisition date, the closing market price of the Company's shares as quoted on the Stock Exchange was HK$0.053 per share.

Pursuant to the Agreement, the Vendor and the Guarantors warrant and guarantee to the Company that, the revenue of the Target Company as shown on the audited consolidated financial statements (to be prepared in accordance with the International Financial Reporting Standards) of the Target Company shall:

(a) not less than HK$10,000,000 for the financial year ending 31 December 2020 ("2020 Performance Target"); and

(b) not less than HK$19,000,000 for the financial year ending 31 December 2021 ("2021 Performance Target" each a "Performance Target").

In the event that the actual revenue of the Target Company as shown in the audited financial statements of the Target Company is below the Performance Target for that relevant financial year, the Vendor and Guarantors shall delivery or procure the delivery of a banker's draft for an amount representing the difference. For the avoidance of doubt, the maximum aggregate liability of the Vendor and the Guarantors in respect of the revenue guarantee shall not exceed the Consideration.

The Target Company had reached the 2020 Performance Target for the year ended 31 December 2020. According to the audited financial statements of Target Company dated 25 March 2022, the revenue of the Target Company for the year ended 31 December 2021 was approximately HK$10.2 million, which is less than the 2021 Performance Target of HK$19 million (the "Shortfall"). The Vendors and the Guarantors shall make a compensation of approximately HK$8.8 million to the Group.

The Target Company and its subsidiaries are primarily engaged in the insurance broker (including wealth management business) and money lending businesses. The Vendor and Guarantors originally confident that the financial performance of wealth management business will make significant improvement once the business environment resume normal in the year of 2021. The Shortfall was mainly due to the following reasons:

(a) the COVID-19 since early 2020 has unfortunately persisted, which brought lingering impacts to the operation of the Target Company during the year 2021. The economy in Hong Kong has deteriorated and Hong Kong still imposes ongoing border restrictions between Mainland China and other major cities around the global. Hence, potential Mainland China customers were not able to visit Hong Kong to seek professional advice on insurance and wealth management from the Group as certain of the Group's significant customers for the long term business were resided in Mainland China; and

(b) some of the insurance providers have stopped offering certain popular products at the beginning of the year of 2021, in order to cater for the demand of different clients through increasing product varieties and enhance the product competitiveness, the Group introduced some new insurance providers who have the most popular products in the market at that time. The Group eventually signed the cooperation agreements in the third quarter which later than expected.

Due to the aforesaid reasons, the wealth management business of the Group has been affected, the revenue of the Target Company was lower than expected, and therefore failed to meet the 2021 Performance Target.

Pursuant to the Agreement, the Vendor and the Guarantors are obliged to make the compensation to the Company within ten business days after the Purchaser at any time after the delivery of the audited financial statements of Target Company for the relevant financial year deliver a notice of exercise of the Purchaser's rights to the Vendor and the Guarantors.

Management Discussion and Analysis

Key Performance

There are several aspects of the key performance could introduce the results of the Group's business. By the contribution of the Group's acquisition of wealth management business and money lending business in November 2020, the revenue of the Group has a 27.2% increase from CNY55.7 million in 2020 to CNY70.9 million in 2021. The profit attributable to shareholders has a 26.6% increase from CNY7.2 million in 2020 to CNY9.1 million in 2021. The increase of profit attributable to shareholders was due to the gain on revenue guarantee from the result of compensation of revenue guarantee to be made from the Vendors and the Guarantors for the shortfall of revenue guarantee for the acquisition of wealth management and money lending business in November 2020. The basic earnings per share of the Group have a 2.9% increase from CNY9.57 cents per share in 2020 to CNY9.85 cents per share in 2021. The increase of basic earnings per share of the Group was due to the increase of profit for the year in 2021. The return on equity of the Group decreased 5.2% from 7.7% in 2020 to 7.3% in 2021. The net assets per share of the Group has a 33% decrease from CNY1.17 per share in 2020 to CNY0.78 per share in 2021. The decrease of net assets per share was due to the significant increase of number of shares by the fund-raising activities of right issues in December 2021. The trade receivables collection period of the Group increased from 66 days in 2020 to 96 days in 2021 due to the different business nature of collection period of loan receivables.

		2021	2020	Variance
Revenue	*CNY'000*	**70,898**	55,727	27.2%
Profit attributable to shareholders	*CNY'000*	**9,117**	7,203	26.6%
Basic earnings per share (note 1)	*CNY*	**9.85 cents**	9.57 cents	2.9%
Return on equity	*%*	**7.3**	7.7	(5.2)%
Net assets per share (note 1)	*CNY*	**0.78**	1.17	(33)%
Trade receivables collection period	*Days*	**96**	66	45.5%

Note 1: Due to the fund-raising activity of right issues in December 2021, the share consolidation and the increase of number of shares would require a re-calculation of the ratio in 2020 to reflect the accurate performance.

Management Discussion and Analysis

Business Strategies Review with Progress of Implementation

The Group aims to strengthen its market position in the People's Republic of China (the "PRC"). In order to achieve this objective, the Group intends to pursue the following strategies. The following table sets out the Group's business strategies as disclosed in the 2020 Annual Report with the actual progress of implementation as at 31 December 2021.

Business Strategy	Implementation Plan	Progress of Implementation as of 31 December 2021
Broaden customer base and develop product recognition	(i) Collaborating with external institutions in the PRC for the development of new technologies and new bentonite products to cater for high-valued downstream markets other than iron ore pelletising and civil engineering;	(i) The Group has completed techno-economic viability study of two new bentonite products as mentioned below. The external institutions are currently conducting laboratory-scale testing of the two products. In addition, the internal research and development team was working on the multifunctional pelletising clay; and it was also working with the external institutions on the techno-economic viability of several other new bentonite products and processing technologies;
	(ii) attending and participating in industry forums and events to network with other industry professionals and potential customers; and	(ii) The management team had attended and participated in an industry seminar and established contacts with several industry experts and potential customers to explore cooperation opportunities and there were one new drilling mud customer and three new pelletising clay customers starting their purchases with the Group in 2019; and
	(iii) expanding sales and marketing team to further enhance sales and marketing activities.	(iii) The Group was in the process of recruiting more experienced personnel for sales and marketing.
Development of new production technology and new products	Signing collaboration agreements with two universities and one research institute.	Completed techno-economic viability study of two new products: (a) polyaniline/montmorillonite nano-composite conductive coating materials and (b) titanium dioxide/montmorillonite nano-composite materials and photocatalytic.

Business Strategy	Implementation Plan	Progress of Implementation as of 31 December 2021
Recruitment of more talents	Recruiting more experienced personnel who possess abundant knowledge and rich experience in various aspects of the business, including mine design and construction, mining, processing, sales and marketing and research and development of principal products.	The Group was in the process of recruiting more experienced personnel for processing, sales and marketing, and research and development.
Acquisition of other non-metal mines	Evaluating any potential targets meeting the criteria when opportunities arise.	The Company entered MOU with the Potential Vendor to acquire certain equity interest in a company in the PRC principally engaging in mining, processing and sales of black marble (dolerite) mine on 14 February 2017. As per the result of the Company's internal assessment , the acquisition is not viable and is abandoned.
Improvement of plant and equipment	Upgrading current processing plant by, among others, purchasing new processing equipment such as Raymond mill, modifying the rotary drum dryer and construction of new storage bins for storing pelletising clay.	Completed the feeding system for one pelletising clay production line; Completed the construction of new storage facilities for pelletising clay; Completed the expansion of storage facilities for dried bentonite ore to be processed into drilling mud; Replaced the old forklift truck; Replaced a transformer in the processing plant; Completed the modification of existing rotary drum dryer; Purchased one new flour mill; Completed the modification of existing transformer room; Purchased one electric motor and one electric belt scale; Purchased and completed the construction of two new storage tanks; Purchased one flour mill and fittings of the machine;

Management Discussion and Analysis

Business Strategy	Implementation Plan	Progress of Implementation as of 31 December 2021
		Purchased two forklift trucks;
		Purchased one transformer;
		Purchased four dedusting machine;
		Purchased one oil-immersed power transformer;
		Purchased two vacuum circuit breaker;
		Purchased one 5R Raymond Mill; and
		Purchased one analysis machine.

Mine Property Summary

The Group holds the mining rights to Huanghu Bentonite Mine. The following table sets out certain information of the mine and details of the mining licence.

Location	Huanghu Bentonite Mine Fanchang county, Wuhu city, Anhui province
Equity Interest held by the Group	100%
Date of initial commercial production	Commercial production of pelletising clay in 2004 and drilling mud in 2010
Permitted mining right area	2.1311 km^2
Mining method	Open-pit
Mining depth/elevation limit	From 57 mASL to −23 mASL
Permitted annual production capacity	230,000 m^3 (equivalent to approximately 400,000 tonnes)
Validity period of current licence	9 March 2022 to 9 March 2023
Reserve data (as of 1 July 2015) (Note 1)	Dry
Proved reserve (metric tonnes)	1,720,000
Probable reserve (metric tonnes)	4,724,000
Total (metric tonnes)	6,444,000
Reserve data (as of 31 December 2021) (Note 2)	Dry
Proved reserve (metric tonnes)	1,597,000
Probable reserve (metric tonnes)	4,539,000
Total (metric tonnes)	6,136,000
Average quality of bentonite	
Active montmorillonite	47.0%
Colloid index	61.1 ml/15g
Swelling capacity	8.7 ml/g
Capital expenditure for the Year	CNY1,100,000
Output for the Year (metric tonnes)	145,000

Management Discussion and Analysis

Notes:

(1) The reserve data as of 1 July 2015 is extracted from the independent technical report dated 18 December 2015 contained in the Prospectus prepared by SRK Consulting (Hong Kong) Limited under the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia, December 2012.

(2) The reserve data as of 31 December, 2020 is extracted from the independent technical update report dated 29 March 2021 prepared by SRK Consulting (Hong Kong) Limited under the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia, December 2012.

(3) There is no exploration activity carried out by the Group during the Year.

Employees and Remuneration Policy

On 31 December 2021, the Group had a total of 123 full time employees (2020: 115) for its main business. For the year ended 31 December 2021, the Group incurred staff costs, including Directors' remuneration, of approximately CNY16.7 million (2020: CNY11.3 million).

The Group deeply understands that talented and professional employees are valuable assets to the Group. The Group will continue to determine the employee remuneration policy based on industry practice, the merits of employees, the industry experience and capabilities and will provide them with various employee benefits including medical and retirement benefits. The remuneration and compensation packages of the Directors are determined with reference to the performance of the Group, the performance of individuals, and salaries paid by comparable companies. None of the Directors, their respective associates or any of the Group's executives participated in the determination of their respective remuneration.

The Company has adopted a share option scheme pursuant to which selected participants may be granted options to subscribe for shares as incentives or rewards for their services rendered to the Group and any entity in which any member of the Group holds an equity interest.

As of 31 December 2021 and the date of this annual report, the Group has maintained good working relationships with its employees. The management team and employees have remained stable.

Community Relationship

For the year ended 31 December 2021, the Group did not run into any disputes or conflicts with its surrounding communities.

Environmental Policy and Measure

The Group is well aware of the importance of maintaining a good ecological environment and embraces the idea of environmental protection. Apart from ensuring on-going compliance with the relevant environmental protection laws and regulations in the PRC, in order to further reduce the environmental impacts of the operations, the Group has implemented several measures to effectively reduce the need for coal energy and electricity thus contributing to a significant decrease in carbon emissions and harmful gas emissions, to prevent fugitive dust emission at the mining site, to reduce impact on nearby brooks and to manage waste rock dump. For details of the Group's performance on environmental, social and governance ("ESG") aspects and compliance with relevant laws and regulations that have a significant impact on the Group, please refer to the section under heading "Environmental, Social and Governance Report" for the year 2021 of this annual report.

Management Discussion and Analysis

FINANCIAL REVIEW

Items of the Consolidated Statement of Profit or Loss

Items	For the year ended 31 December 2021 CNY'000	For the year ended 31 December 2020 CNY'000	Change (%)
Revenue	**70,898**	55,727	27.2
Cost of sales	**(37,157)**	(26,362)	40.9
Gross profit	**33,741**	29,365	14.9
Other income, other net gains and losses	**9,205**	4,092	125.0
Selling and distribution expenses	**(6,311)**	(7,041)	(10.4)
Administrative and other expenses	**(25,036)**	(16,737)	49.6
Finance costs	**(523)**	(502)	4.2
Income tax expense	**(1,959)**	(1,974)	(0.8)
Profit for the Year	**9,117**	7,203	26.6

Revenue

Breakdown of the Group's Revenue by bentonite mining and financial services

	2021		2020	
	CNY'000	**%**	CNY'000	%
Drilling mud	**22,427**	**31.6**	14,281	25.6
Pelletising clay	**38,251**	**54.0**	37,936	68.1
Total revenue of mining	**60,678**	**85.6**	52,217	93.7
Wealth management services income	**7,353**	**10.4**	2,097	3.8
Loan interest income	**1,726**	**2.4**	263	0.5
Guarantee service fee income	**1,141**	**1.6**	1,150	2.0
Total revenue of financial services	**10,220**	**14.4**	3,510	6.3
Total revenue	**70,898**	**100**	55,727	100

Breakdown of the Group's Sales Volume and Average Selling Price by bentonite mining

	2021		2020	
	Sales volume (tonnes)	**Average selling price (CNY/tonne)**	Sales volume (tonnes)	Average selling price (CNY/tonne)
Drilling mud	**47,428**	**472.9**	32,075	445.2
Pelletising clay	**92,679**	**412.7**	86,948	436.3

The overall revenue increased by 27.2% from approximately CNY55.7 million in 2020 to approximately CNY70.9 million in 2021. The increase in revenue was contributed by the inclusion of revenue of approximately CNY9.1 million of financial services business in Hong Kong which was acquired in November 2020 and the increased revenue of bentonite mining business.

The pandemic in PRC was under controlled, cycle of supply and demand is raised with confidence growth in market and increased domestic demand. The demand of drilling mud was strong in 2021 and it's sales volume recorded an increase by approximately 47.9% from 32,000 tonners in 2020 to approximately 47,000 tonnes in 2021.

The revenue of bentonite mining increased by approximately 16.2% from approximately CNY52.2 million in 2020 to approximately CNY60.7 million in 2021. The increase of revenue in 2021 is due to the recovery of macroeconomics in the PRC and the lockdown of Hubei province were released compared to the corresponding period in 2020. The increase in revenue was mainly contributed by: (i) the increase in sales volume of drilling mud and pelletising clay; and (ii) the increase in average selling price of drilling mud, which was partly offset by the decrease in average selling price of pelletising clay.

Cost of Sales

Breakdown of the Group's Cost of Sales

Cost Items	**2021**		2020	
	CNY'000	**%**	CNY'000	%
Extraction costs	**1,363**	**3.7**	1,163	4.4
Processing costs				
–Air-drying costs	**2,455**	**6.6**	1,725	6.5
–Consumables, materials and supplies	**7,806**	**21.0**	4,849	18.4
–Depreciation and amortisation	**1,242**	**3.3**	1,383	5.2
–Staff costs	**5,344**	**14.4**	4,166	15.8
–Transportation costs	**4,680**	**12.6**	3,976	15.1
–Utility costs	**4,728**	**12.7**	3,835	14.6
–Others	**1,193**	**3.2**	2,072	7.9
Sales tax and surcharges	**1,934**	**5.2**	1,682	6.4
Total cost of bentonite mining	**30,745**	**82.7**	24,851	94.3
Commission expenses of wealth management services	**6,412**	**17.3**	1,511	5.7
Total cost of financial services	**6,412**	**17.3**	1,511	5.7
Total cost	**37,157**	**100**	26,362	100

Breakdown of the Group's Cost of Sales of bentonite mining by Product

Cost Items	2021 Average cost of sales CNY/tonne	2021 Total cost of sales CNY'000	2021 %	2020 Average cost of sales CNY/tonne	2020 Total cost of sales CNY'000	2020 %
Drilling mud	**244.3**	**11,588**	**37.7**	217.2	6,966	28.0
Pelletising clay	**206.7**	**19,157**	**62.3**	205.7	17,885	72.0
Total cost of bentonite mining		**30,745**	**100**		24,851	100

The overall cost of sales increased by 40.9% from approximately CNY26.4 million in 2020 to approximately CNY37.2 million in 2021. The increase in cost of sales was contributed by the inclusion of cost of sales of approximately CNY6.4 million of financial services business in Hong Kong which was acquired in November 2020 and the increased cost of sales of bentonite mining business.

The total cost of sales of bentonite mining increased by approximately 23.7% from approximately CNY24.9 million in 2020 to approximately CNY30.7 million in 2021. The increase in total cost of sales was mainly attributed to: (i) the increase in sales volume of drilling mud and pelletising clay; and (ii) the increase in unit processing costs of drilling mud and pelletising clay.

Cost of sales for drilling mud increased by approximately 66.4% from approximately CNY7.0 million in 2020 to approximately CNY11.6 million in 2021. The increase in cost of sales for drilling mud was mainly attributed to the increase in the sales volume by approximately 47.9% and the increase in unit processing costs from CNY217.2 per tonne in 2020 to CNY244.3 per tonne in 2021. The reason for the increase in unit processing costs was the increase of cost of consumables, materials and supplies.

Cost of sales for pelletising clay increased by approximately 7.1% from approximately CNY17.9 million in 2020 to approximately CNY19.2 million in 2021. The increase in cost of sales for pelletising clay was mainly due to the increase in the sales volume by approximately 6.6% and the slightly increase in unit processing costs by approximately from CNY205.7 per tonnes in 2020 to CNY206.7 per tonnes in 2021.

Gross Profit and Gross Margin

Breakdown of the Group's Gross Profit and Gross Profit Margin by bentonite mining and financial services

	2021 Gross profit CNY'000	2021 Gross profit margin %	2020 Gross profit CNY'000	2020 Gross profit margin %
Drilling mud	**10,839**	**48.3**	7,315	51.2
Pelletising clay	**19,094**	**49.9**	20,051	52.9
Bentonite Mining	**29,933**	**49.3**	27,366	52.4
Financial services	**3,808**	**37.3**	1,999	57.0
Total	**33,741**	**47.6**	29,365	52.7

The overall gross profit increased by approximately 14.9% from approximately CNY29.4 million in 2020 to approximately CNY33.7 million in 2021, while the overall gross profit margin decreased from approximately 52.7% in 2020 to approximately 47.6% in 2021. The increase in the overall gross profit was mainly due to the increase of revenue of bentonite mining by approximately 16.2% and the contribution of financial services business in Hong Kong. The decrease in overall gross profit margin was mainly attributed to (i) the increase in unit cost of drilling mud and decrease of average selling price of pelletising clay and (ii) the lower gross profit margin of finance services business.

Gross profit for the sale of drilling mud increased by approximately 48.2% from approximately CNY7.3 million in 2020 to approximately CNY10.8 million in 2021, with the gross profit margin for the sale of drilling mud decreased from approximately 51.2% in 2020 to approximately 48.3% in 2021. The increase in gross profit for the sale of drilling mud was mainly due to the increase of sales volume by approximately 47.9 %. The decrease in gross profit margin was attributed to increase in unit cost of drilling mud by approximately 12.5% from approximately CNY217.2 per tonne in 2020 to approximately CNY244.3 per tonne in 2021. The reasons for the increase in unit cost of drilling mud had been discussed above.

Gross profit for the sale of pelletising clay decreased by approximately 4.8% from approximately CNY20.1 million in 2020 to approximately CNY19.1 million in 2021, with the gross profit margin for the sale of drilling mud decreased from approximately 52.9% in 2020 to approximately 49.9% in 2021. The decrease in gross profit for the sale of drilling mud was mainly due to the decrease of average selling price by approximately 5.4% and the increase of unit processing cost from CNY205.7 per tonne to CNY206.7 per tonne. The decrease in gross profit margin was attributed to the decrease of average selling price and the increase of unit processing cost.

Other Income, Other Net Gains and Losses

Other income increased by approximately 125.0% from approximately CNY4.1 million in 2020 to approximately CNY9.2 million in 2021. The increases were mainly attributed to gain on revenue guarantee of approximately CNY7.3 million as a result of the compensation from vendor and guarantors on the shortfall of revenue guarantee of the revenue of the Target Company for the year ended 31 December 2021.

Selling and Distribution Expenses

The selling and distribution expenses decreased by approximately 10.4% from approximately CNY7.0 million in 2020 to approximately CNY6.3 million in 2021. This was primarily due to cost decrease in transportation and services charge.

Administrative and Other Expenses

The administrative and other expenses increased by approximately 49.6% from approximately CNY16.7 million in 2020 to approximately CNY25.0 million in 2021. The increases were mainly due to (i) the inclusion of the operating expenses of financial services business in Hong Kong which was acquired in November 2020 and (ii) the incurred withholding tax in dividend payment made from PRC subsidiary to holding company in Hong Kong.

Finance Costs

The finance costs increased by approximately 4.2% from approximately CNY502,000 in 2020 to approximately CNY523,000 in 2021. This was due to the increase in interest expense of unwinding of discount on provision for dismantlement mining-related structures and the reclamation of land upon exhaustion of bentonite reserves in 2021.

Management Discussion and Analysis

Income Tax Expense

The Group had an income tax expense of approximately CNY2.0 million in 2021 as compared to approximately CNY2.0 million in 2020. The effective tax rate of Wuhu Feishang Non-metallic Material Company Limited in 2021 is approximately 13% with the Enterprise Income Tax rate of 15% of a High Technology Enterprise. The effective tax rate lower than the Enterprise Income Tax rate was due to the over provision of income tax expenses in the previous year.

Profit for the Year

The profit for the Year was approximately CNY9.1 million in 2021, an increase of approximately CNY1.9 million from the profit of approximately CNY7.2 million in 2020. The increase in the profit of the Group for the Year is mainly attributable to (a) the increase in revenue in bentonite mining business and (b) compensation of revenue guarantee from the Vendors and the Guarantors for the shortfall of revenue guarantee for the acquisition of wealth management and money lending business in November 2020.

FINANCIAL RESOURCES REVIEW

Liquidity and Financial Resources

As at 31 December 2021 and 2020, the Group had net current assets of approximately CNY97.6 million and approximately CNY68.1 million, respectively.

As at 31 December 2021, the Group had cash and cash equivalents of approximately CNY50.0 million (2020: CNY30.9 million) which was mainly dominated in CNY.

As at 31 December 2021, the Group had a general bank facility of CNY20 million (2020: CNY20 million) which was secured by pledged bank deposit.

Gearing Ratio

As at 31 December 2021, the gearing ratio was nil (2020: nil) as the Group was not in need of any material debt financing during the Year.

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 December 2021, the Group did not have any loan capital or debt securities issued or agreed to be issued, outstanding bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits, finance leases or hire purchase commitments or guarantees or material contingent liabilities.

Management Discussion and Analysis

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 brought by the Russo-Ukrainian War, the outbreak of COVID-19 in the mainland in early 2022 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 long run 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.

It has been a challenging year for the Financial Services segment as the COVID-19 has unfortunately persisted, Hong Kong still imposes ongoing border restrictions between China and major cities around the global during the Year. As Hong Kong's exit strategy needs to balance virus risks and reopening of border, the Group expects that the business environment in financial services, including wealth management and money lending business, would remain challenging in the year 2022. 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 Mainland China, 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 December 2021, the Group did not have significant capital commitments.

EVENTS AFTER THE REPORTING PERIOD

There have been no material events occurring after the reporting period and up to the date of this annual report.

Management Discussion and Analysis

FUND RAISING ACTIVITIES

(1) Use of Listing Proceeds

In respect of the listing proceeds from the initial public offering of the Company in 2015 was approximately HK$12.7 million. The listing proceeds of HK$6.0 million remains unutilised and has been placed as short-term interest-bearing deposit with authorised financial institutes in the PRC.

Set out below is the revised timeline, as disclosed in the Company's announcement dated 21 March 2016, from the Listing Date to 31 December 2017 for the Group to deploy the net proceeds raised from the Placing taking into account the actual placing price of HK$0.32 per share in accordance with the implementation of future plans, and the actual use of net proceeds up to the date of this annual report:

	Revised timeline as disclosed in the Company's announcement dated 21 March 2016								
	From Listing Date up to 31 December 2015 (HK$ million)	For the six months ending 30 June 2016 (HK$ million)	For the six months ending 31 December 2016 (HK$ million)	For the six months ending 30 June 2017 (HK$ million)	For the six months ending 31 December 2017 (HK$ million)	Total net proceeds (HK$ million)	Approximate percentage of proceeds %	Actual use of net proceeds up to the date of this annual report (HK$ million)	
Development of production technology for new products	–	–	–	–	7.7	7.7	60.6	1.7	(Note 1)
Improvement of plant and equipment	–	0.4	4.6	–	–	5.0	39.4	5.0	(Note 2)
Total	–	0.4	4.6	–	7.7	12.7	100.0	6.7	

Notes:

(1) As at 31 Dec 2021, the Group has completed the certification of two high-tech products, are "防爆裂冶金球團土" and "海水抗鹽專用泥漿土". The expenditure spending on development and research these two new product is approximately HK$1.7 million.

The proceeds was scheduled to be utilised in the payment of research and development fee and payment for the patents of production technology by various collaborating institutes by the end of 2017. However, payment has not been made for the intended uses as the research results were not as anticipated.

The Group intends to utilise the remaining proceeds amount of HK$6.0 million for the intended uses on or before 31 December 2022.

(2) As at 31 Dec 2021, the Group has fully utilized the proceeds to upgrade current processing plant, purchase new processing equipment, modify the rotary drum dryer and construction of new store bins for storing pelletizing clay.

(2) Use of Proceeds from Placing

On 16 November 2018, a total of 111,762,000 new shares (the "Placing Shares") of nominal value of HK$0.01 each in the share capital of the Company were successfully completed. The net proceeds from the Placing, after deducting the commissions and other fees and expenses in relation to the placing, amounted to approximately HK$21.4 million (equivalent to approximately CNY18.1 million). Details of the Placing of Shares was set out in the Company's announcements dated 22 October 2018, 9 November 2018 and 16 November 2018.

The Group had used the net proceeds for the Year and the expected timeline for the utilization of the remaining net proceeds is set out below:

	Original allocation of net proceeds			Utilization up to 31 December 2018		Utilization up to 31 December 2019		Utilization up to 31 December 2020		Utilization up to 31 December 2021		Remaining amount	
	HK$ (million)	CNY Equivalent (million)	% of net proceeds	HK$ (million)	CNY Equivalent (million)	HK$ (million)	CNY Equivalent (million)	HK$ (million)	CNY Equivalent (million)	HK$ (million)	CNY Equivalent (million)	HK$ (million)	CNY Equivalent (million)
Repayment of short-term debt and other payables of the Group	8.3	7.0	38.8%	6.1	5.2	6.1	5.4	6.1	5.2	8.3	7.0	–	–
Settlement of professional and audit fees	6.6	5.6	30.8%	2.2	1.9	3.6	3.2	6.6	5.6	6.6	5.6	–	–
General working capital of the Group (note)	6.5	5.5	30.4%	0.4	0.3	4.5	3.9	6.5	5.5	6.5	5.5	–	–
Total	21.4	18.1	100%	8.7	7.4	14.2	12.5	19.2	16.3	21.4	18.1	–	–

Note:

The following table sets out the breakdown of the use of proceeds as general working capital of the Group up to 31 December 2020:

	HK$'000	CNY'000
Administrative expenses	1,348.5	1,139.0
Consultation and service	3,294.3	2,782.4
Rental costs	901.4	761.3
Staff cost (including the Director's emoluments)	995.9	841.2
Total	6,540.1	5,523.8

(3) Use Of Proceeds from the Rights Issue

Details of the Share Consolidation, Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash waiver are set out in the announcements of the Company dated 16 July 2021, 6 August 2021, 27 August 2021, 1 September 2021, 13 September 2021, 4 October 2021, 25 November 2021 and 2 December 2021, circular dated 4 October 2021 and prospectus dated 9 November 2021. Unless otherwise defined, capitalised terms used herein shall bear the same meanings ascribed thereto in the announcements.

On 16 July 2021, the Company announced, among other things, consolidation (the "Share Consolidation") of the issued shares on the basis of every ten (10) issued and unissued Existing Shares of par value HK$0.01 each into one (1) Consolidated Share of par value of HK$0.1. The Share Consolidation was approved by the shareholders at the extraordinary general meeting of the Company held on 26 October 2021 and became effective on 28 October 2021.

On 16 July 2021, the Company announced, among others thing, the Share Consolidation becoming effective, to implement the Rights Issue on the basis of one (1) Rights Share for every one (1) Consolidated Share held on the Record Date at the Subscription Price of HK$0.35 per Rights Share, to raise gross proceeds of approximately HK$27.8 million before expenses, by way of the Rights Issue of 79,557,200 Rights Shares to the Qualifying Shareholders. The Company will provisionally allot to the Qualifying Shareholders one (1) Rights Share in nil-paid form for every one (1) Consolidated Share in issue and held on the Record Date.

On 16 July 2021 (after trading hours and supplemented on 30 September 2021), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent has agreed to procure placee(s), to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares.

On 16 July 2021 (after trading hours and supplemented on 30 September 2021), the Company entered into the Underwriting Agreement with the Underwriter in respect of the Rights Issue, pursuant to which the Underwriter has conditionally agreed to underwrite 60,153,400 Rights Shares (being all of the Rights Shares under the Rights Issue other than the 15,841,000 Rights Shares that have been undertaken to be subscribed by the Underwriter and Dr. Chan pursuant to the Irrevocable Undertakings) on the terms and subject to the conditions set out in the Underwriting Agreement. The Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash waiver were approved by the shareholders at the extraordinary general meeting of the Company held on 26 October 2021.

On 25 November 2021, the Rights Issue was approximately 29.7% subscribed, and the remaining 55,925,690 unsubscribed rights shares, representing approximately 70.3% of the total number of rights Rights Shares offered under the Rights Issue, and no Unsubscribed Rights Shares were placed under the Compensatory Arrangements. Accordingly, on 3 December 2021, 55,925,690 unsold Unsubscribed Rights Shares were allotted and issued by the Company to P.B. Asia Holdings Limited, the Underwriter, for a total consideration of HK$19,573,992 the subscription price of HK$0.35 per share.

The net proceeds from the Rights Issue (after deduction of estimated professional fees and other related expenses of approximately HK$1.5 million) are estimated to be approximately HK$26.3 million (assuming no other change in the number of Shares in issue save for the Share Consolidation on or before the Record Date), which are intended to be applied in following manner:

(i) approximately HK$18.8 million, representing approximately 71.5% of the net proceeds, shall be applied for general working capital of the Company in Hong Kong for the next 18 months, as to approximately (i) 46.3% for directors' remuneration, consultancy fees, and other salaries and allowance; (ii) 34.0% for audit and other professional fees; (iii) 12.8% for administrative and other expenses; and (iv) 6.9% for miscellaneous fees including printing fees and listing fees;

(ii) approximately HK$5.6 million, representing approximately 21.3% of the net proceeds, shall be applied for the operation and expansion of the wealth management service business of the Group; and

(iii) approximately HK$1.9 million, representing approximately 7.2% of the net proceeds, shall be applied for the operation and expansion of the money lending business of the Group.

On 26 October 2021, all the resolutions of Share Consolidation and Rights Issue were duly passed by the Shareholders by way of poll at the EGM. As all the conditions of the Share Consolidation have been fulfilled, the Share Consolidation has taken effect on 28 October 2021.

On 3 December 2021, all conditions set out in the underwriting agreement relating to the Rights Issue have been fulfilled and the Rights Issue became unconditional. The gross proceeds raised from the Rights Issue are approximately HK$27.8 million before expenses.

The unutilized net proceeds is expected to be used on or before 31 December 2023. As at 31 December 2021, the net proceeds of Rights Issue had been utilised as follows:

	Original allocation of net proceeds		**Utilization up to 31 December 2021**		**Balance as at 31 December 2021**	
	HK$ (million)	CNY Equivalent (million)	HK$ (million)	CNY Equivalent (million)	HK$ (million)	CNY Equivalent (million)
General working capital of the Company in Hong Kong	18.8	15.3	3.0	2.4	15.8	12.9
Operation and expansion of the wealth management service business	5.6	4.6	3.9	3.2	1.7	1.4
Operation and expansion of the money lending business	1.9	1.5	1.9	1.5	–	–

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no other significant investment, material acquisition and disposal during the Year and up to the date of this report.

OTHER INFORMATION

Prepayment to Suppliers

Reference was made to the Company's 2018, 2019 and 2020 Annual Reports, 2019, 2020 and 2021 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. The parties to the proceedings have sought usual order of directions for fixing timeline for the parties to make discovery of documents and exchange of statements of witnesses. Parties to the proceedings are awaiting replies from the Court with respect to the directions. 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 had appointed BVI lawyers to execute and enforce the Judgement by way of presenting a winding-up petition against the 2nd Defendant; and the Eastern Caribbean Supreme Court in the High Court of Justice Virgin Islands made an order, ordering, inter alia, that the 2nd Defendant be wound up and that Mr. John David Ayres of FTI Consulting (BVI) Limited and Mr. Chow Wai Shing Daniel of FTI Consulting (BVI) Limited ("the Liquidators") be appointed as joint and several liquidators of the 2nd Defendant. Subsequent to the said order, the Liquidators wrote to the Company on 15 June 2021 with the aim of (1) notifying the Company that the Liquidators did not intend to call a meeting of creditors and (2) requesting the Company to submit a Proof of Debt Form in respect of the indebtedness owed by the 2nd Defendant. The Company had duly completed the Proof of Debt form and returned the same to the Liquidators. Then on 17 June 2021, the Liquidators issued a First Report dated 17 June 2021 to the creditors of the 2nd Defendant including the Company reporting, inter alia, the steps taken since their appointment ("the First Report"). According to the First Report, the Liquidators served on the 2nd Defendant notice of the liquidation at its registered office as well as wrote to the director of the 2nd Defendant requesting her to complete a Statement of Affairs and Director's Questionnaire Form, as stipulated by BVI laws but the director of the 2nd Defendant was not cooperative and refused to provide any details in relation to the affairs of the 2nd Defendant, however. The Liquidators are now in the course of locating if the 2nd Defendant has any assets overseas and the liquidation of the 2nd Defendant is still 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 Tong Chung Ming shall pay to the Company the sum of HK$8,530,000 with interests and costs of the proceedings as well. The Company tends to execute and enforce the Judgment and in January 2021 the Company had lodged documents with the High Court with a view to seeking leave from the Court to file a Petition against Tong Chung Ming trading as Kai Muk Company. The enforcement procedures are on-going.

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 as and when appropriate.

Profiles of Directors and Senior Management

EXECUTIVE DIRECTORS

Dr. CHAN Man Fung, aged 35, was appointed as an executive Director, Co-chairman and the authorized representative on 1 December 2020. Dr. Chan received his Postgraduate Diploma in Business Administration from the Society of Business Practitioners of Cheshire, England in 2017, obtained his doctorate degree in Business Administration from Warnborough College, Ireland in 2016 and received his Postgraduate Diploma in Legal Practice from the University of Oxford, England in 2011. He was graduated from the University of London with a bachelor degree of Laws in 2007 and from The Hong Kong Polytechnic University with a bachelor degree of Arts with a major in Business Studies in 2006. Dr. Chan also is a fellow member of Society of Business Practitioners of Cheshire, England and a practicing chartered legal executive lawyer in England. Dr. Chan was a licensed person for types 1, 2, 4 and 9 regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") and currently is the director and the substantial shareholder of a corporation licensed by the Securities and Futures Commission (the "SFC") to carry out type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO. Dr. Chan is a merchant having businesses and investments in Hong Kong and the People's Republic of China (the "PRC"). Dr. Chan has extensive experience in corporate finance and the legal and financial services fields both in the PRC and Hong Kong and was involved in several merger and acquisition transactions and initial public offerings.

Mr. PUI Wai Lun, aged 44, was appointed as an executive Director and Co-chairman on 1 December 2020. Mr. Pui obtained a Master degree of Business Administration in The Trinity College and University, USA in 2018. Mr. Pui awarded an Executive Diploma in Financial Planning by The Hong Kong Management Association in 2011 and is a Registered Financial Adviser (Financial Planning) of International Association of Financial Advisers operated by PAMA International since 2011. Mr. Pui is a merchant having businesses and investments in Hong Kong and the PRC. Mr. Pui has over 20 years of experience in insurance and wealth management, general business practices and corporate financial transactions, such as merger and acquisitions and corporate restructuring. Mr. Pui currently is the director and the substantial shareholder of a corporation licensed by the SFC to carry out type 1 (dealing in securities) regulated activities under the SFO.

Mr. SU Chun Xiang, aged 34, was appointed as an executive Director on 9 January 2018, the compliance officer of the Company on 9 February 2018. Mr. Su obtained a degree of Master of Engineering in Software Engineering from Xiamen University (廈門大學) in the People's Republic of China (the "PRC") in 2012. Mr. Su has extensive experience in finance and investment fund management. He was the founder and the general manager of the risk control department of 昆明貴金屬交易所 (Kunming Precious Metal Exchange*) in the PRC and was the marketing director of the trading department of the COFCO Futures Co., Ltd. (中糧期貨有限公司) in the PRC. Mr. Su is currently the chairman of the board of an assets management company located in Beijing, the PRC, responsible for the overall investment management thereof. Mr. Su has also obtained the qualifications of 基金從業人員 (Fund Practitioner*) and 期貨從業人員 (Futures Practitioner*) respectively in the PRC. Mr. Su is currently an executive director of DT Capital Limited (Stock code: 356), whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Su is currently the managing director of the Feishang Material to participate directly in its daily operation and to oversee its due compliance with the policies, guidelines and internal control procedures set up by the Company.

* For identification purpose only

Profiles of Directors and Senior Management

Mr. PANG Ho Yin, aged 47, was appointed as an executive Director on 15 May 2019. Mr. Pang was subsequently appointed as the Chief Executive Officer of the Company on 11 November 2020. Mr. Pang obtained a bachelor degree of Business Management in the University of Sunderland in Hong Kong. Mr. Pang is currently the general manager of P.B. Nikyo Wealth Management Limited, an insurance broker company and a wholly-owned subsidiary of the Group, responsible for the overall operational and business management of the company. Mr. Pang has over 20 years of experience in insurance and wealth management industry. He also has extensive experience particularly in insurance field and has held positions as senior managers in Manulife (International) Limited and New York Life Insurance Worldwide Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. YIP Chong Ho Eric, aged 31, was appointed as an independent non executive Director, the chairman of each of the audit committee and remuneration committee and the member of the nomination committee of the Company on 23 April 2021. Mr. Yip holds a degree of Bachelor of Business Administration in Professional Accounting from The Open University of Hong Kong. Mr. Yip is a member of Hong Kong Institute of Certified Public Accountants. He has over 6 years of working experience in the field of accounting and finance. He is currently the audit manager of a professional accountants firm. Mr. Yip has over 7 years' experience in the field of accounting and finance. Prior to that, Mr. Yip worked for several professional accountants firm and the accounting department of a securities firm.

Mr. CHOW Chi Hang Tony, aged 30, was appointed as an independent non-executive Director on 9 January 2018. He is the chairman of nomination committee and the member of each of the audit committee and remuneration committee of the Company. Mr. Chow obtained a degree of Bachelor of Laws and a Postgraduate Certificate in Laws from The Chinese University of Hong Kong in 2014 and 2015 respectively. Mr. Chow is currently a practicing Barrister-At-Law in Hong Kong practicing in both civil and criminal litigation. Mr. Chow is currently an independent non-executive director of Bonny International Holding Limited (Stock code: 1906), whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Mr. ZHANG Kun, aged 35, was appointed as an independent non-executive Director on 8 April 2020. He is the member of audit committee, nomination committee and remuneration committee of the Company. Mr. Zhang holds a Bachelor Degree in Business Administration from Kemi-Tornio University of Applied Sciences, Finland, and Master Degree in Business Management and Master Degree of Science in Audit and Management Control from Edhec Business School, France. Mr. Zhang is well versed in banking and financial services factors. He had held various positions in banks in the PRC, including as a project manager in investment banking, and was an operation director of an asset management company in Shenzhen. Mr. Zhang has been a supervisor of Shenzhen Credit-reed Investment Management Company Limited（深圳瑞信德投資管理有限公司）since July 2017. Mr. Zhang was a non-executive director of China Investment Development Limited（中國投資開發有限公司）(stock code: 204), a company whose shares are listed on the main board of the Stock Exchange, from March 2018 to January 2019.

Report of the Directors

The Directors are pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in notes 1 and 36 respectively to the consolidated financial statements of this annual report.

BUSINESS REVIEW

A fair review of the business of the Company as well as a discussion and analysis of the Group's performance during the year as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the laws of Hong Kong), including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the sections headed "Management Discussion and Analysis" and "Corporate Governance Report – Risk management and internal control" of this annual report. These discussions form part of this Directors' report.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2021 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 99 to 159.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 102 of this annual report.

The Company's reserves available for distribution to Shareholders at 31 December 2021 amounted to CNY74,613,000 (2020: CNY45,354,000).

FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last five financial years is set out on page 160 of this annual report.

DIVIDEND POLICY

The Company has adopted a dividend policy ("Dividend Policy"), pursuant to which the Company may declare and distribute dividends to the shareholders of the Company (the "Shareholders") to allow Shareholders to share the Company's profits and for the Company to retain adequate reserves for future growth.

The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the Shareholders. In proposing any dividend payout, the Board shall also take into account, inter alia, the Group's financial results, the general financial condition of the Group, the Group's current and future operations, the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants, liquidity position and capital requirement of the Group, surplus received from the Company's subsidiaries and any other factors that the Board deem appropriate. The Company's ability to pay dividends is also subject to the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and all relevant applicable laws, rules and regulations in the Cayman Islands, Hong Kong and the Memorandum and Articles of Association of the Company.

The Board will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time, and the Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 18 to the consolidated financial statements of this annual report.

CAPITAL STRUCTURE

As at 31 December 2021, a total of 159,114,400 Shares with par value of HK$0.1 each are in issue.

On 16 July 2021, the Board put forward to the shareholders of the Company (the "Shareholders") a proposal of share consolidation (the "Share Consolidation") on the basis that every ten (10) issued existing ordinary shares with par value of HK$0.01 each in the share capital of the Company be consolidated into one (1) consolidated share with par value of HK$0.1 each.

Pursuant to the resolution passed by the Shareholders at the extraordinary general meeting of the Company on 26 October 2021 (the "EGM"), the Share Consolidation became effective on 28 October 2021. On 3 December 2021, the Company completed a rights issue of 79,557,200 rights shares (the "Rights Issue") at a price of HK$0.35 each per share after the ordinary resolutions for Rights Issue was duly passed at the EGM.

Details of the Share Consolidation and Rights Issue are set out in the announcements of the Company dated 16 July 2021, 6 August 2021, 27 August 2021, 1 September 2021, 13 September 2021, 4 October 2021, 25 November 2021 and 2 December 2021, circular dated 4 October 2021 and prospectus dated 9 November 2021.

Details of movements during the year in the share capital of the Company are set out in note 29 to the consolidated financial statements of this annual report.

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

As at 31 December 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 Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) ("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	Notes	Percentage of the issued shares (%)
Mr. ZHANG Qiang	Long position	Beneficial owner	27,500,000		17.28
Ms. WANG Jie	Long position	Interest of spouse	27,500,000	1	17.28
P.B. Capital Advanced Fund SPC – P.B. Capital Advance Fund 1 Segregated Portfolio	Long position	Beneficial owner	11,176,200		7.02
P.B. Asia Holdings Limited	Long position	Beneficial owner	80,925,690		50.86

Notes:

1. 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 December 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.

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

As at 31 December 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**	Notes	**Percentage of the issued shares** (%)
CHAN Man Fung	Long Position	Interests of a controlled corporation	80,925,690	1	50.86
	Long Position	Beneficial owner	6,682,000		4.20
			87,607,690		55.06
PUI Wai Lun	Long Position	Interests of a controlled corporation	80,925,690	1	50.86

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 80,925,690 Shares.

Save as disclosed above, as at 31 December 2021, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and 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 or short positions which they were 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 Required Standard of Dealings.

Report of the Directors

DIRECTORS

The Directors during the year and up to the date of this annual report were:

Executive Directors:
Dr. CHAN Man Fung
Mr. PUI Wai Lun
Mr. SU Chun Xiang
Mr. PANG Ho Yin

Independent non-executive Directors:
Mr. YIP Chong Ho Eric (appointed on 23 April 2021)
Mr. LEE Ming Tung (resigned on 23 April 2021)
Mr. CHOW Chi Hang Tony
Mr. ZHANG Kun

In accordance with Articles 84(1) of the Articles of Association of the Company (the "Articles of Association"), Dr. CHAN Man Fung, Mr. CHOW Chi Hang Tony and Mr. ZHANG Kun shall retire at the forthcoming annual general meeting (the "AGM") and, being eligible, would offer themselves for re-election.

INDEPENDENCE CONFIRMATION

The Company has received annual confirmation from each of the independent non-executive Directors as regards their independence to the Company pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that each of the independent non-executive Directors is independent to the Company.

DIRECTORS' SERVICE CONTRACT

There is no unexpired Directors' service contract which is not terminable by the Company within one year without payment of compensation, other than statutory compensation, of any Director proposed for re-election at the forthcoming AGM.

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year.

EMPLOYEES AND EMOLUMENT POLICY

The Group recognises the importance of high calibre and competent staff and continues to review and provide remuneration packages to employees with reference to the level and composition of pay, prevailing market practices and individual performance.

Staff benefits include contributions to the Mandatory Provident Fund Schemes and a discretionary bonus payment which is linked to the profit performance of the Group and individual performance. Other various benefits, such as medical and retirement benefits, are also provided. In addition, share options may be granted to eligible employees of the Group in accordance with the terms of the approved Share Option Scheme.

The emolument policy of the employees of the Group is set up on the basis of their merit, qualifications and competence. The emoluments of the Directors are determined having regard to the Company's operating results, individual performance and comparable market statistics. No Director, or any of his associates, and executive is involved in dealing his own remuneration.

The Company has adopted the Share Option Scheme as an incentive to Directors and eligible employees of the Group, details of the Share Option Scheme are set out in note 30 to the consolidated financial statements and under the heading "Share Option Scheme" of this annual report.

DISCLOSURE OF CHANGE OF DIRECTORS' INFORMATION

In September 2021, Mr. Su has been appointed as the managing director of the Feishang Material to participate directly in its daily operation and to oversee its due compliance with the policies, guidelines and internal control procedures set up by the Company.

Save as disclosed above, the Directors are not aware of any change in the Directors' information required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules subsequent to the publication of the annual report of the Company for the year ended 31 December 2021.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES OF THE COMPANY AND OTHER CORPORATION

Save as the Right Issue and Underwriting Agreement disclosed under the section "Use of Proceeds" from the Right Issue and disclosed under the section "Share Option Scheme" below, at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

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. Details of the Share Option Scheme are set out in note 30 to the consolidated financial statement of this annual report.

As at 31 December 2021, no options had been granted pursuant to the Share Option Scheme.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as the Right Issue, Underwriting Agreement and disclosed under the section "Connected Transactions and Continuing Connected Transaction", and disclosed in Note 33 to the consolidated financial statements of this annual report, there was no transactions, arrangements or contracts of significance to which the Company or any related company (holding companies, subsidiaries, or fellow subsidiaries) was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2021 and up to the date of this annual report, none of the Directors and controlling shareholders of the Company or their respective close associates (as defined in the GEM Listing Rules) has 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.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group accounted for about 59.9% of the revenue of the Group and the largest customer of the Group accounted for about 15.4% of the total revenue.

During the year, the five largest suppliers of the Group accounted for about 53.0% of the purchases of the Group and the largest supplier of the Group accounted for about 14.1% of the total purchases.

None of the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital), has an interest in any of the Group's five largest customers and suppliers.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year, the Company and the Group had the following connected transactions.

On 16 July 2021, the Company announced its intention to raise approximately HK$27.8 million before expenses by the Rights Issue. Pursuant to the Underwriting Agreement entered into between the Company and P.B. Asia Holdings Limited (the "Underwriter"), which is owned as to 50% by Dr. Chan and 50% by Mr. Pui. As at 16 July 2021, the Underwriter and Dr. Chan were beneficially interested in 125,000,000 and 33,410,000 shares of the Company respectively. Pursuant to an irrevocable undertaking (the "Irrevocable Undertaking"), each of the Underwriter and Dr. Chan had provided irrevocable and unconditional undertakings to the Company that each of them would accept and pay for all the 15,841,000 Rights Shares provisionally allotted to them in aggregate under the Rights Issue. On 25 November 2021, the Rights Issue was approximately 29.7% subscribed, and the remaining 55,925,690 unsubscribed rights shares, representing approximately 70.3% of the total number of rights Rights Shares offered under the Rights Issue, and no Unsubscribed Rights Shares were placed under the Compensatory Arrangements. On 3 December 2021, 55,925,690 unsold Unsubscribed Rights Shares were allotted and issued by the Company to P.B. Asia Holdings Limited, the Underwriter, for a total consideration of HK$19,573,992 the subscription price of HK$0.35 per share. Accordingly, P.B. Asia Holdings Limited's interest in the Company increased from approximately 15.71% to 50.86% immediately after the completion of the Rights Issue on 3 December 2021.

Save as disclosed above and in Note 33 to the consolidated financial statements of this annual report, the Company had no connected transactions or continuing connected transactions which requires compliance with any of the reporting, announcement or independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules during the year ended 31 December 2021.

PERMITTED INDEMNITY

The Articles of Association provides that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors.

A directors' liability insurance is in place to protect the Directors against potential costs and liabilities arising from claims brought against the Directors.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the year ended 31 December 2021 are disclosed in note 33 to the consolidated financial statements. These transactions were either exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules, or did not fall under the definition of connected transactions or continuing connected transaction as defined in Chapter 20 of the GEM Listing Rules.

PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association 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 year.

AUDIT COMMITTEE

The Company has the 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 of the Company (the "Audit Committee") comprises three independent non-executive Directors, namely, Mr. YIP Chong Ho Eric (chairman of the Audit Committee) (appointed on 23 April 2021), Mr. LEE Ming Tung (chairman of the Audit Committee) (resigned 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 audited consolidated financial statements of the Group for the year ended 31 December 2021 have been reviewed by the Audit Committee.

AUDITORS

The consolidated financial statements of the Company for the year ended 31 December 2021 have been audited by BDO Limited ("BDO") who will retire at the forthcoming AGM and being eligible, offers itself for re-appointment. A resolution to re-appoint BDO as the auditor of the Company and to authorise the Directors to fix its remuneration will be proposed to the Shareholders for approval at the forthcoming AGM.

On behalf of the Board

P.B. Group Limited
CHAN Man Fung
Executive Director and Co-chairman

Hong Kong, 25 March 2022

Corporate Governance Report

The Board and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, sustainable business growth and enhancing shareholders' value.

CORPORATE GOVERNANCE PRACTICES

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 and the Company has complied with the code provisions as set out in the CG Code throughout the year ended 31 December 2021.

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 year ended 31 December 2021. 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.

BOARD OF DIRECTORS

Composition

As at the date of this annual report, the Board comprises seven Directors, consisting of 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 (Chief Executive Officer), and three independent non-executive Directors, namely Mr. YIP Chong Ho Eric, Mr. CHOW Chi Hang Tony and Mr. ZHANG Kun. The biographical details of each Director are disclosed on pages 25 to 26 of this annual report.

All Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity.

Independent non-executive Directors

In compliance with Rule 5.05 of the GEM Listing Rules, the Company has appointed three independent non-executive Directors representing more than one-third of the board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. The Company has received from each independent non-executive Director an annual confirmation of his independence and the Company considers such directors to be independent in accordance with each and the various guidelines set out in Rule 5.09 of the GEM Listing Rules.

Nomination Policy of Directors

The Company has adopted a nomination policy of Directors (the "Nomination Policy") which sets out the criteria and process in the nomination and appointment of Directors of the Company in order to nominate suitable candidates to the Board.

Pursuant to the Nomination Policy, the Company considers a number of criteria in evaluating and selecting candidates for directorships, including but not limited to (i) character and integrity; (ii) qualifications including professional qualifications; (iii) willingness to devote adequate time to discharge duties as a Board member and other directorships and significant commitments; (iv) requirement for the Board to have independent non-executive Directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in the Listing Rules; (v) board diversity policy of the Company and any measurable objectives adopted by the Board for achieving diversity on the Board knowledge and experience that are relevant to the Company's business and corporate strategy; and (vi) other perspectives appropriate to the Company's business.

The nomination committee (the "Nomination Committee") and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents. The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable. For any person that is nominated by a shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. Where appropriate, the Nomination Committee and/or the Board should make recommendation to shareholders in respect of the proposed election of Director at the general meeting.

The Nomination Committee will review the Nomination Policy annually to ensure its continued effectiveness.

Directors' Appointment and Re-election

Pursuant to the Articles of Association of the Company, the Directors shall hold office subject to retirement by rotation at the annual general meetings of the Company at least once every three years. In addition, any Director appointed by the Board during a year, to fill a casual vacancy, shall hold office only until the first general meeting of the Company after his appointment and shall be subject to re-election in that meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. The term of office of each independent non-executive Director is for a period of one year subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Articles of Association.

The Nomination Committee shall review the overall contribution and service to the Company of the retiring Director including his attendance of Board meetings and, where applicable, general meetings of the Company, and the level of participation and performance on the Board. The Nomination Committee shall also review and determine whether the retiring Director continues to meet the criteria as set out in the Nomination Policy. The Nomination Committee and/or the Board shall then make recommendation to Shareholders in respect of the proposed re-election of Director at the general meeting of the Company.

Corporate Governance Report

Responsibilities of the Board and Management

The Board, is responsible for providing high-level guidance and effective oversight of the management of the Company, formulation and approval of the Group's development, business strategies, policies, annual budgets and business plans, recommendation of any dividend and supervision of management in accordance with the regulations governing the meetings of the Board, and the Articles of Association of the Company.

The day-to-day management of the Group's business and the major decisions are made after consultation with the Board and appropriate Board committees, as well as senior management.

The Company considers that risk management function and internal control system are essential and that the Board plays an important role in implementing monitoring and risk management and internal financial control.

Matters specifically decided by the Board and those reserved for the management, such as daily management, administration and operation of the Company, etc., are reviewed by the Board on a periodic basis. The management shall report back to the Board.

The procedures to enable Directors to seek independent professional advice in appropriate circumstances at the Company's expenses were established.

The Articles of Association state the responsibilities and operational procedures of the Board. The Board will meet at least four times a year at regular intervals to consider operational reports and financial results of the Company and policies. Significant operational policies have to be discussed and passed by the Board.

During the year ended 31 December 2021, the attendance record of each Director is set out below:

	Number of meetings attended/held				
Name of Directors	**Board Meeting**	**Remuneration Committee Meeting**	**Audit Committee Meeting**	**Nomination Committee Meeting**	**General Meetings**
Executive Directors					
Dr. CHAN Man Fung *(Co-chairman)*	4/4	–	–	–	2/2
Mr. PUI Wai Lun *(Co-chairman)*	4/4	–	–	–	2/2
Mr. SU Chun Xiang	4/4	–	–	–	2/2
Mr. PANG Ho Yin	4/4	–	–	–	2/2
Independent non executive Directors					
Mr. YIP Chong Ho Eric (appointed on 23 April 2021)	3/3	–	3/3	–	2/2
Mr. LEE Ming Tung (resigned on 23 April 2021)	1/1	1/1	1/1	1/1	0/0
Mr. CHOW Chi Hang Tony	4/4	1/1	4/4	1/1	2/2
Mr. ZHANG Kun	4/4	1/1	4/4	1/1	2/2
Total Number of Meetings Held	4	1	4	1	2

BOARD DIVERSITY POLICY

The Company has a board diversity policy ("Board Diversity Policy") whereby it recognizes and embraces the benefits of a diversity of Board members. The Board Diversity Policy aimed to set out the approach to achieve diversity on the Board. In designing the Board's composition, board diversity has been considered from numbers of measurable aspects including gender, age, length of services, knowledge and professional industry background. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regards for the benefits of diversity on the Board.

During the year ended 31 December 2021 and as at the date of this annual report, the Board comprises seven Directors. The following tables further illustrate the diversity of the Board members as of the date of this annual report:

	Age Group			
Name of Directors	**30-34**	**35-39**	**40-44**	**45 above**
Dr. CHAN Man Fung		✓		
Mr. PUI Wai Lun			✓	
Mr. SU Chun Xiang	✓			
Mr. PANG Ho Yin				✓
Mr. YIP Chong Ho Eric (appointed on 23 April 2021)	✓			
Mr. LEE Ming Tung (resigned on 23 April 2021)				✓
Mr. CHOW Chi Hang Tony	✓			
Mr. ZHANG Kun		✓		

	Professional Experience				
Name of Directors	**Legal and financial services**	**Finance and investment fund management**	**Accounting and finance**	**Law**	**Insurance and general corporate management**
Dr. CHAN Man Fung	✓				
Mr. PUI Wai Lun					✓
Mr. SU Chun Xiang		✓			
Mr. PANG Ho Yin					✓
Mr. YIP Chong Ho Eric (appointed on 23 April 2021)			✓		
Mr. LEE Ming Tung (resigned on 23 April 2021)			✓		
Mr. CHOW Chi Hang Tony				✓	
Mr. ZHANG Kun		✓			

Having reviewed the Board composition, the Board recognises the importance and benefits of gender diversity at the Board level and shall continue to take initiatives to identify female candidate(s) to enhance the gender diversity among the Board members. We will appoint, subject to the above, at least one female representation in our Board before 31 December 2024.

The Company's diversity philosophy including the gender diversity was generally followed in the workforce throughout the Group for the year ended 31 December 2021. As of the date of this report, 100% of Directors and 59% of total workforce were male. The Company will continue to take, steps to promote diversity, including gender diversity, at workforce levels.

Directors' Induction and Continuous Professional Development

During the financial year, all the Directors attended a training session organised by the Company. Topics of the training included update on the GEM Listing Rules and continuing and statutory obligations for directors of listed companies. In addition, relevant reading materials on risk management and internal control and ESG have been circulated to all the Directors.

The Company understands that the Directors should participate in appropriate continuous professional development programs to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses at the Company's expenses.

Responsibilities of Directors

In the course of discharging their duties, the Directors act in good faith, with due diligence and care, and in the best interests of the Company and its Shareholders. Their responsibilities include the following:

- attending regular Board meetings and focusing on business strategy, operational issues and financial performance;
- active participation in the respective board of directors of the subsidiaries of the Company;
- approval of annual budgets covering strategy, financial and business performance, key risks and opportunities;
- monitoring the quality, timeliness, relevance and reliability of internal and external reporting;
- monitoring and managing potential conflicts of interest of senior management, the Board and Shareholders of the Company;
- consideration of misuse of corporate assets and abuse of related party transactions; and
- ensuring processes are in place to maintain the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all laws and ethics.

To enable the Directors to fulfill their obligations, an appropriate organisational structure is in place with clearly defined responsibilities and limits of authority.

Corporate Governance Functions

The Board is responsible for performing the following corporate governance duties as required under the CG Code:

– to develop and review the Company's policies and practices on corporate governance;

– to review and monitor the training and continuous professional development of Directors and senior management;

– to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

– to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and

– to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the financial year, the Board had performed the following corporate governance duties:

– approval of quarterly results, interim results and annual results of the Group;

– approval of BDO Limited as the auditors of the Group and the corresponding audit plan through the Audit Committee;

– review the compliance with the CG Code; and

– review of the effectiveness of the risk management and internal control systems of the Company through the Audit Committee.

BOARD COMMITTEES

During the year ended 31 December 2021, the Company has comprised three board committees, namely, the Audit Committee, the Nomination Committee and the remuneration committee of the Company (the "Remuneration Committee"), with specific terms of reference relating to authority and duties, to strengthen the Board's functions and enhance its expertise.

Audit Committee

During the year ended 31 December 2021 and as at the date of this annual report, the Audit Committee comprises three independent non-executive Directors, namely Mr. YIP Chong Ho Eric (appointed on 23 April 2021), Mr. LEE Ming Tung (resigned on 23 April 2021), Mr. CHOW Chi Hang Tony and Mr. ZHANG Kun and is chaired by Mr. YIP Chong Ho Eric.

The Audit Committee reports directly to the Board and reviews financial statements and internal controls in order to protect the interests of the Shareholders.

The terms of reference of the Audit Committee have complied with the CG Code and the Audit Committee will meet regularly with the Company's independent auditors, at least twice a year, to discuss accounting issues, and reviews effectiveness of internal controls and risk evaluation. Written terms of reference, which describe the authority and duties of the Audit Committee are regularly reviewed and updated by the Board. The term of reference of Audit Committee are amended pursuant to the Board resolutions passed on 21 December 2018 and are posted on the designated website of the GEM at www.hkgem.com and the website of the Company at www.thepbg.com.

During the financial year, the Audit Committee held four meetings, at which it:

– approved BDO Limited as the auditors of the Group and the corresponding audit plan;

– reviewed the financial statements for the year ended 31 December 2020, three months ended 31 March 2021, six months ended 30 June 2021 and nine months ended 30 September 2021;

– reviewed the effectiveness of the risk management and internal control systems, and such review covered all material controls including financial control;

– reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions;

– reviewed the external auditors' findings; and

– considered and made recommendations to the change of the independent auditor of the Company, and the terms of engagement.

The Audit Committee had also reviewed the Group's audited annual results for the year ended 31 December 2021 and confirmed it complies with the applicable standard, the GEM Listing Rules, and other applicable legal requirements and that adequate disclosures have been made. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditors.

During the year ended 31 December 2021, the attendance record of the meetings is set out on page 38.

Nomination Committee

During the year ended 31 December 2021 and as at the date of this annual report, the Nomination Committee comprises three independent non-executive Directors, namely Mr. CHOW Chi Hang Tony, Mr. YIP Chong Ho Eric (appointed on 23 April 2021), Mr. LEE Ming Tung (resigned on 23 April 2021) and Mr. ZHANG Kun and is chaired by Mr. CHOW Chi Hang Tony.

The terms of reference of the Nomination Committee have complied with the CG Code which are posted on the designated website of the GEM at www.hkgem.com and the website of the Company at www.thepbg.com.

The Nomination Committee's responsibilities include reviewing and recommending the structure, size, composition and diversity of the Board and recommending any change thereon; assessing the independence of independent non-executive Directors and recommending the re-election of Directors, etc.

During the financial year, the Nomination Committee held one meeting, at which it:

– reviewed the structure, size, composition and diversity (including the skills, knowledge and experience) of the Board;

– assessed the independence of the independent non-executive Directors; and

– reviewed and made recommendations to the Board on re-election of retiring Directors at the AGM.

During the year ended 31 December 2021, the attendance record of the meetings is set out on page 38.

The Board adopted the Board Diversity Policy in accordance with the requirement set out in the CG Code. Such policy aims to set out the approach towards achieving diversity on the Board.

In assessing the Board composition, the Nomination Committee would consider a number of perspectives as set out in the Board Diversity Policy, including but not limited to professional qualifications, regional and industry experience, educational and cultural background, skills, industry knowledge and reputation, gender, ethnicity, language skills and length of service, when making recommendations to the Board on the appointment and re-appointment of Directors and Directors' succession planning.

The Company considers that the current composition of the Board is well balanced and of a diverse mix appropriate for the business of the Company.

Remuneration Committee

During the year ended 31 December 2021 and as at the date of this annual report, the Remuneration Committee comprises three independent non-executive Directors, namely Mr. YIP Chong Ho Eric (appointed on 23 April 2021), Mr. LEE Ming Tung (resigned on 23 April 2021), Mr. CHOW Chi Hang Tony and and Mr. ZHANG Kun and is chaired by Mr. YIP Chong Ho Eric.

The Remuneration Committee's responsibilities include reviewing, considering and making recommendation to the Board on (i) the Company's remuneration policy for Directors and senior management, (ii) remuneration packages for individual executive Directors and senior management including benefits in kind, pension rights and compensation payments, and (iii) remuneration of independent non-executive Directors, etc.

The terms of reference of the Remuneration Committee have complied with the CG Code and are posted on the designated website of the GEM at www.hkgem.com and the website of the Company at www.thepbg.com.

During the financial year, the Remuneration Committee held one meeting, at which it made recommendation to the Board on the forthcoming remuneration policy and the remuneration of the executive Directors and the independent non-executive Directors.

During the year ended 31 December 2021, the attendance record of the meetings is set out on page 38.

The Group recognises the importance of high caliber and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Other benefits, such as medical and retirement benefits, are also provided. In addition, share options may be granted to eligible employees of the Group (including Directors) in accordance with the terms of the Share Option Scheme.

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Chapter 18 to the GEM Listing Rules are set out in notes 14 and 15 to the consolidated financial statements of this annual report.

COMPLIANCE COMMITTEE

As at the date of this annual report, Mr. SU Chun Xiang is the Compliance Officer of the Group. The primary purpose is to monitor and oversee the compliance-related issues of the Group. The committee meets quarterly to discuss, among others, existing and potential compliance issues, formulate solutions to such compliance issues, and report to the Board if necessary.

AUDITORS' REMUNERATION

For the year ended 31 December 2021, the remuneration of external auditors of the Company, BDO Limited, in respect of audit services and non-audit services is set out below:

Description of services performed	Fee (HK$)
Audit Services	800,000
Non-audit Services	150,000

AUDITORS

The consolidated financial statements of the Group for the year ended 31 December 2021 were audited by BDO Limited, who were appointed as the Company's auditor following the retirement of Elite Partners CPA Limited on 30 June 2020. Save as disclosed above, there has been no other change of auditors for the preceding three years.

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 unauthorised 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.

During the year, the Group has engaged a professional internal control consultant to continue the review and scrutiny of the Group's overall operations and risk management assessment to ensure the internal controls and risk management systems are functioning adequately. The Board is implementing the recommendations suggested by this consultant to improve the overall internal control of the Group and to prevent recurrence of previous deficiencies. The Board through its Audit Committee are kept regularly apprised of significant risks that may impact on the Group's performance.

Process and Main Features of Risk Management and Internal Control

The goal of the Group is to identify and manage the risks which are inherent in the Group's business and its operating markets so that the risks can be reduced, mitigated, transferred or avoided.

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems. The Board would oversee its management in the design, implementation and monitoring of the risk management and internal control systems.

The Board oversees the Group's overall risk management and internal control process through the Audit Committee which forms an important part of the corporate governance regime of the Group. The Audit Committee assists the Board in monitoring the risk exposures, the design and operating effectiveness of the relevant risk management and internal control systems. The Audit Committee oversees the following procedures for and on behalf of the Board:

(i) Periodic assessment of key operational risks and control measures aimed at mitigating, reducing or transferring such risks; the strengths and weaknesses of the overall internal control system, and action programs to address the control weaknesses or improve the assessment process;

(ii) Regularly review the business processes and operational reports, including the action plan to address the identified weaknesses in control, and the latest status and monitor results in the implementation of the recommendations; and

(iii) The external auditors regularly report on the control issues identified in the course of their work and meet with the Audit Committee to discuss the scope and results of the review.

The Audit Committee will then report to the Board after properly reviewing the effectiveness of the Group's risk management and internal control systems. The Board considers the works and findings of the Audit Committee in forming its own view on the effectiveness of such systems.

The Group does not maintain its own internal audit team due to cost saving reason. However, the professional internal control consultant engaged by the Company would assist the Audit Committee to review the effectiveness of the Group's risk management and internal control systems and the external auditor of the Company would also assess the adequacy and effectiveness of certain key risk management and internal controls of the Group as part of their statutory audit process. The Group would review the need for an internal audit function on an annual basis.

The Group's risk management and integrated internal control framework, as disclosed in the below chart, are closely intertwined, and major control measures are tested to assess performance. This "top-down" approach is complemented by the "bottom-up" aspects, which require the head of the operating unit to participate in the identification of operational risks to determine the Group's major risks.

<table>
<tr><td rowspan="3">"Top-down" Overseeing, identification, assessment and mitigation of risk at corporate level.</td><td colspan="4">The Board of Directors</td></tr>
<tr><td>Responsible for the Group's risk management and internal control systems.</td><td>Sets strategic objectives and reviews the effectiveness of the Group's risk management and internal control systems.</td><td>Monitors the nature and extent of the Group's major risks.</td><td>Provides guidance on the importance of risk management and risk management culture.</td></tr>
<tr><td>Management</td><td colspan="3">Audit Committee</td></tr>
</table>

<table>
<tr><td rowspan="3">“Bottom-up”
Identification, assessment and mitigation of risk at business unit level and across functional areas.</td><td>Designs, implements, and monitors risk management and internal control systems.</td><td colspan="2">Assists the Board in monitoring risk exposure, design and operating effectiveness of the underlying risk management and internal control systems.</td></tr>
<tr><td colspan="3">Operational level</td></tr>
<tr><td colspan="2">Risk identification, assessment and mitigation performed across the business.</td><td>Risk management process and internal control practised across business operations and functional areas.</td></tr>
</table>

Review of Effectiveness of the Risk Management and Internal Control Systems

The Board has overseen the Group’s risk management and internal control systems on an ongoing basis to ensure that a review of the effectiveness of the Group’s risk management and internal control systems has been conducted at least once a year.

The Directors acknowledge their responsibility for reviewing the effectiveness of the Group’s internal control and risk management systems and would communicate regularly with the Audit Committee and the professional internal control consultant engaged by the Group. The Board has reviewed through the work of its Audit Committee and the annual internal control review report and the findings performed by professional internal control consultant and was satisfied to the effectiveness of the Group’s internal control and risk management systems for the year ended 31 December 2021.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Board has overall responsibility for the Group’s environmental, social and governance strategy and reporting. The Board is responsible for the Group’s ESG risk management and internal control systems to ensure that the ESG strategies and reporting requirements are met. Detailed information on the environmental, social and governance practices adopted by the Group is set out in sections headed “Environmental, Social and Governance Report” (“ESG Report”) of this annual report.

Inside information

With regard to the internal controls and procedures for the handling and dissemination of inside information, the Group is in compliance with under the Part XIVA and relevant parts of the Securities and Future Ordinances and GEM Listing Rules. To be certain that all the staff members in the Group are aware of the inside information handling, the Group’s disclosure policy sets out guidance and procedures to ensure that the inside information of the Group is disseminated to the public completely, accurately and timely. Besides, the Board is responsible to approve the dissemination of the information. The Group also has reasonable measures regarding keeping the sensitive information confidential and ensuring the confidentiality terms are in place in the significant agreements.

COMPANY SECRETARY

Ms. CHIK Wai Chun ("Ms. Chik") was appointed as the Company Secretary on 31 August 2019. Ms. Chik's primary contact person at the Company is Mr. Su Chun Xiang, the executive Director. Ms. Chik is a chartered company secretary and fulfilled the requirements under Rules 5.14 and 5.15 of the GEM Listing Rules. She undertook over 15 hours of relevant professional training to update her skills and knowledge during the Year.

All members of the Board have access to the advice and services of the Company Secretary.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2021, there was no changes in the constitutional documents of the Company.

A copy of the Memorandum and Articles of Association of the Company is posted on the designated website of the GEM at www.hkgem.com and the website of the Company at www.thepbg.com.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

(a) Procedures for convening an extraordinary general meeting and putting forward proposals at shareholders' meetings

Shareholders may put forward proposals at general meetings by requisitioning an extraordinary general meeting. Pursuant to Article 58 of the Articles of Association, extraordinary general meetings may be convened by the Board on the written requisition of any one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company. The requisition shall be deposited at the principal office of the Company in Hong Kong (Room 402A, 4/F, Park Commercial Centre, 180 Tung Lo Wan Road, Causeway Bay, Hong Kong) or, in the event the Company ceases to have such a principal office, the registered office (71 Fort Street, P.O. Box 500, George Town, Grand Cayman KY1-1106, Cayman Islands) specifying the business to be transacted at the meeting and signed by the requisitionist(s). If the Board does not within 21 days from the date of deposit of the requisition proceed to convene the meeting to be held, the requisitionist(s) himself (themselves) may convene the general meeting in the same manner provided that any meeting so convened shall be held within two months after the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

(b) Communication with Shareholders and investors

Shareholders are provided with detailed information about the Company set out in the quarterly/interim/annual report and/or the circular so that they can exercise their rights in an informed manner.

The Company uses a range of communication tools, such as the annual general meeting, the annual report, interim report, quarterly reports, various notices, announcements and circulars, to ensure its Shareholders are kept well informed of key business imperatives.

General meetings of the Company provide a direct forum of communication between its Shareholders and the Board. Shareholders are welcome to put forward enquiries to the Board or the management thereat and the chairman of the Board, or in his absence, an executive Director, as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee, or in their absence, other members of the respective committees, and where applicable, the independent board committee, will be commonly be present and available to answer questions and Shareholders may also contact the company secretary of the Company to direct their written enquires.

The Company is committed to enhance communications and relationships with its investors. Designated management maintains an open dialogue with institutional investors and analysts to keep them abreast of the Company's developments.

The Company also maintains a website at www.thepbg.com, where updates on the Company's business developments and operations, financial information and news can be found.

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary of the Company whose contact details are as follows: –

Room 402A, 4/F, Park Commercial Centre, 180 Tung Lo Wan Road, Causeway Bay, Hong Kong
Fax: +852 3753 2360
Email: info@thepbg.com

In addition, procedure for Shareholders to propose a person for election as a Director is available on the Company's website at www.thepbg.com.

The above procedures are subject to the Articles of Association and applicable laws and regulations.

DIRECTORS' RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the accounts of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give true and fair view of the state of affairs, the results of operations and cash flows of the Group. In preparing the financial statements for the year ended 31 December 2021, the Directors have adopted suitable accounting policies and applied them consistently. The Directors are also responsible for keeping proper accounting records with reasonable accuracy for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities. The financial statements for the reporting year have been prepared on a going concern basis.

The Board has not taken any different view from that of the audit committee regarding the selection, appointment, resignation or dismissal of external auditors.

Environmental, Social and Governance Report

ABOUT US

P.B. Group Limited (the "Company", together with its subsidiaries, the "P.B. Group", "Group" or "We") is mainly engaged in bentonite mining, production and sales of drilling mud and pelletizing clay and the financial services. Our business of bentonite mining is recognized as a High Technology Enterprise ("HNTE") in the PRC. We rely on our strong resource advantages and good quality, striving to become the bentonite processing base with largest range of bentonite products and largest product application field in the PRC.

Corporate Mission

To Strengthen and Repay the Country with Industries

Having inherited the common dream of a few generations of modern entrepreneurs and being deeply influenced by traditional nationalistic values, P.B. Group entrusted its own development and future into recent socio-economic changes in the PRC. Its noble mission of strengthening and repaying the country with industries is the main cause for its stable growth all these years. It will continue to lead the Group towards an even brighter future.

Core Value

The Group's core values of integrity, responsibility, excellence, value-added and all-win partnership can be interpreted as a conclusion of its success. It also reflects the corporate moral qualities which are insisted by our founder. It is a system that imposes restrictions, requirements and incentives to both its member companies and its employees.

ABOUT THIS REPORT

This is the environmental, social and governance (the "ESG") report for P.B. Group. This report is designed to allow the shareholders, investors (including potential investors) of the Group and the public to have a more comprehensive and profound understanding of the work done on the ESG issues of the Group for its financial year ended 31 December 2021 ("the Reporting Period"). This report elaborates the philosophy and practice in respect of social responsibility and the achievements it has made in economic, environment and social aspects. For information on the Group's corporate governance, please refer to the "Corporate Governance Report".

Data of the report

Our data came from the internal systems of the Group and manual collection.

Reporting framework

The Group primarily adopts the principles and basis of Environmental, Social and Governance Reporting Guide (the "ESG Guide") set out in Appendix 20 to the Rules Governing the Listing of Securities on the GEM at The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its standards, with an aim to establish a sound environmental, social and governance structure.

Environmental, Social and Governance Report

During the process of preparation of the ESG Report, we summarised the Group's performance in terms of the corporate social responsibilities based on the reporting principles of "materiality", "balance", "quantitative" and "consistency". The table below is our response to the reporting principles.

Reporting principles	Description
Materiality	Relatively crucial and significant ESG issues are shown in the ESG Report.
Quantitative	KPIs are disclosed in a measurable manner with sufficient description on the changes.
Balance	The ESG Report is prepared under an unbiased basis.
Consistency	The same methodologies are adopted throughout the Reporting Period.

Review and Approval

The board of directors ("Board") of the Company confirms that they have the responsibility to ensure the integrity of this Report, and to their best knowledge, the Report expounds all relevant important issues and fairly presents the ESG performance of the Group. This Report was reviewed and approved by the Board of Directors on 25 March 2022.

Reporting Boundary

The scope of the Report covers two business and region including i) Bentonite mining, production and sales of drilling mud and pelletising clay in the PRC; and ii) the office operations which provide financial services including money lending business and wealth management services in Hong Kong. The reporting period is from 1 January 2021 to 31 December 2021 (the "Reporting Period", "2021").

The Board's Commitment and ESG Approach

The Board has a critical role in overseeing the ESG-related issues by exercising its risk-related oversight after taking into account the materiality of different ESG risks. The Board is the highest decision-making body for the ESG management of the Group. This oversight is strategic and closely aligned with the Group's business model and operations.

During the Reporting Period, the Board effectively oversees risks posed by ESG-related issues throughout the risk evaluation, prioritization and management processes. The Board evaluates and determines the nature and extent of the ESG-related risks that are relevant and material in achieving the Group's strategic objectives based on the key findings of the materiality assessment. Various measures and policies have been established and implemented to manage and monitor the risks related to the ESG matters. The Board oversees the implementation of the ESG measures and monitors the ESG-related issues through the risk management system during the annual review.

Environmental, Social and Governance Report

Governance Structure

The Board	– Define and review the ESG management approach and strategy of the Group – Review and discuss on the effectiveness of ESG mechanism – Approve/amend ESG-related policies – Review ESG-related goals and targets – Oversee the relevant ESG-related issues
Senior management and compliance function team	– Prioritise the ESG-related issues – Review and discuss on the effectiveness and compliance of ESG-related policies and measures with applicable laws and regulations – Report findings and make recommendations to the Board
ESG Working Group	– Introduce, facilitate and monitor implementation of ESG-related policies and measures – Conduct review on the ESG compliance and performance of the key subsidiaries/departments – Report findings and make recommendations to Compliance Committee
Key functions and departments	– Incorporate relevant policies and guidelines into daily business operations

The ESG Working Group, comprising the operating staffs and the external professional consultant. ESG Working Group was established to introduce and facilitate implementation of ESG-related policies and measures. It ensures that all the key functions and departments are well-informed of any introductions of or amendments to the ESG-related policies and measures. It also takes the major role of monitoring the ESG performance and ensuring the effective implementation of the ESG-related policies and measures.

Annual review is conducted regarding the ESG commitment and performance of the Group based on the relevant external and internal information gathered. Based on the findings in annual review, the ESG Working Group makes recommendations and suggestions to the Board and senior management, which conducts review and reports findings and suggestions to the Board correspondingly. The Board then conducts overall review with the aim to enhance ESG management and policies of the Group.

Stakeholders Communication and Engagement

For the Group, the stakeholders refer to groups and individuals who have significant impact on the Group's business, or those who are affected by the Group's business. The participation of stakeholders is an important part of the corporate governance of the Group for it to examine potential risks and business opportunities. Communicating with stakeholders enables the Group to understand their views, and it brings business practices of the Group closer to their needs and expectations, so as to properly manage the views of different stakeholders.

The Group constantly communicates with key stakeholders within and outside the Group through various channels. This ensures that they are given an opportunity to understand the development and operating directions of the Group, as well as the opportunities for the Group to listen to their opinions in order to prioritize different issues, and to develop corresponding policies.

The four-step approach for understanding and communicating with key stakeholders regarding the material sustainability issues:

1. Identifying sustainability issues that are relevant to Group's operations and stakeholders;

2. Collecting stakeholders' feedback and information through various direct and indirect channels;

3. Reviewing, assessing and addressing feedback from stakeholders; and

4. Responding to stakeholders' material sustainability concerns.

Our key stakeholders include natural environment, employees, regulators and governments, customers, partners and suppliers, society and community, shareholders and investors, etc. In accordance with the assessment result regarding significance to the influence from and on the Group, we made a list of key stakeholders and determined the degree and range for their participation in corporate governance, management and decision-making.

Key stakeholders	Expectations	Understanding and Communicating channel
Natural environment	Fulfilment of emission standards; Energy conservation and emission reduction; Efficient use of water resources.	Communication with local environmental protection department; Communication with local community.
Employees	Rights and interests of employees; Remuneration and benefits; Career development; Health and safety.	Formulating competitive remuneration and benefits systems, and improving various benefits and treatment; Care for occupational health and mental health, and improving working environment and ambience of the organization; Launching staff training, and perfecting incentives and promotion mechanism; Holding employees' congress and construction of communications platform for employees; Regular study of market research regarding the job market and employees' needs conducted by external recruitment expert.
Customers	Product quality; Innovation; Rights and interests of customers.	Comprehensive guarantee of product quality; Establishing sound customer service system, improving mechanism for customer feedback and complaint handling, and launching surveys on customer satisfaction; Encouraging innovation of products and technology.

Key stakeholders	Expectations	Understanding and Communicating channel
Society and community	Safety, health and ecological environment; Harmonious community; Support for community welfare; Job opportunities.	Mutual communication with the community Involvement of community in our management; Active participation in mutual community construction; Active participation in poverty alleviation, community charitable activities and social volunteer activities; Support for local education business, campus recruitment and community recruitment.
Regulators/governments	Compliance with laws and regulations; Internal inspection; Employees' health and workplace safety; Local economic development; Environmental protection.	Strict implementation of national policies; Insistence on production safety and promoting green development; Proactive participation in local construction and providing employment opportunities; Compliance with laws and regulations, timely payment of taxes; Timely and accurate submission of corporate information Reclamation plan.
Partners and suppliers	Punctual fulfillment of agreements; Integrity and probity; Supplier rights protection; Cooperation for mutual gain.	Strengthening the management of procurement orders and strong emphasis on fulfillment of agreements; Launching regular meetings, mutual visits and exchanges; Supplier entry and assessment.

Key stakeholders	Expectations	Understanding and Communicating channel
Shareholders and investors	Corporate value; Transformation and innovation; Sustainable development; Risks management; Operation in compliance; Corporate governance.	Enhancing standards of corporate operation, results and asset value; Transformation with innovation for enhancing corporate competitiveness; Standardizing construction of the Board, and perfecting scientific and effective governance system; Paying attention to environmental and social impacts, adopting corresponding measures, and improving relevant information disclosure and communications; Enhancing the strength of preventing and solving substantial risks; Construction of compliance management system, improving compliance review mechanism, and rolling out propagation of code of business conduct; Holding investor activities including general meetings, investors meetings, results presentations, etc., and publication of announcements and regular reports of the Company according to requirements.

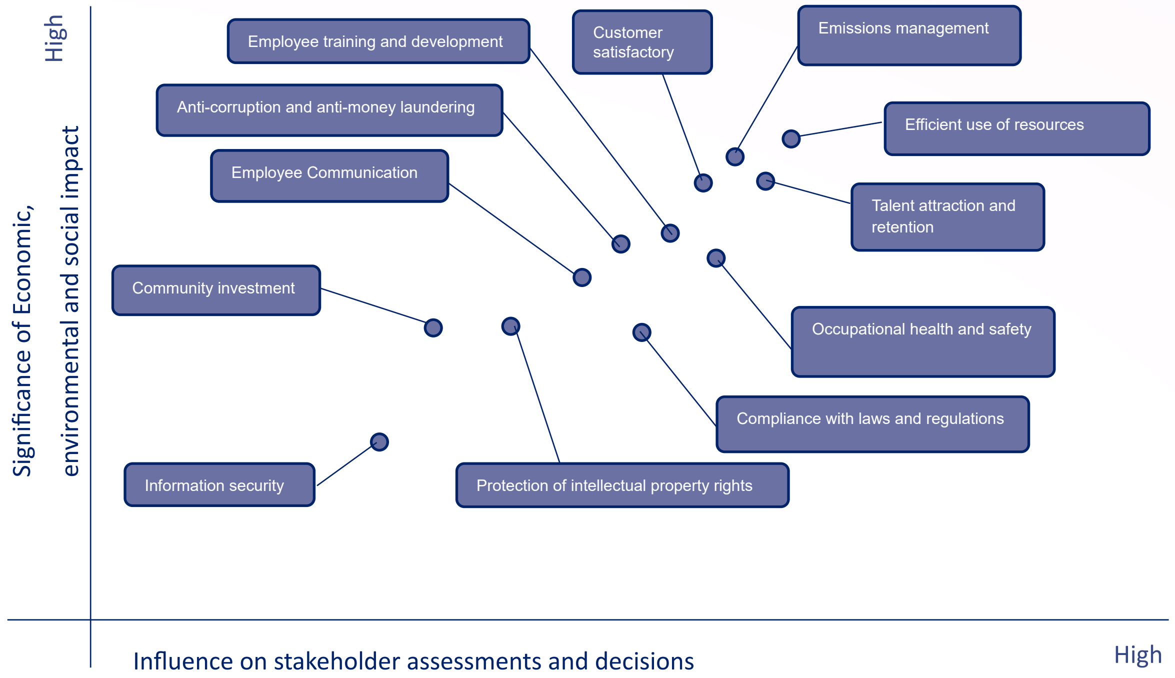
Materiality Assessment Process

The Group has established a sustainable development issues library. The selection of issues is primarily based on the requirements under the “ESG Reporting Guide” of the Stock Exchange, the state’s regulatory requirements, key development of the Group, and industrial characteristics, which aim to cover the material sustainability issues related to the Group fully.

Through discussing assessment tools and methods for material issues, we prioritized the 12 issues in the ESG issues library of the Group from the two aspects of “influence on stakeholder assessments and decisions” and “significance of economic, environmental and social impact”.

The following ESG materiality matrix is attained by an analysis of the assessment results of stakeholders:

Material Sustainability Issues



We believe the most pertinent sustainability issues include emissions management, efficient use of resources, customer satisfactory, employee training and development occupational health and safety, anti-corruption and anti-money laundering and talent attraction and retention. Additional material sustainability issues include compliance with laws and regulations, employee communication, community investment, protection of intellectual property rights and Information security.

ENVIRONMENT

Environmental Management System

We aim to develop green production, sustainable business, resources intensification, green mining methods, restoration for ecology of pit and comply with Environmental Protection Law of the PRC.

To achieve the aims, we established a comprehensive environmental management policy to prescribe and explain the general principles, division of responsibilities, environmental working procedures, pollution and wastes management, promotion of environmentally friendly culture and reward and punishment mechanism.

Environmental Leadership Working Group

As stated in our policy, the working group is composed of directors, general managers and supervisors of mining. The working group is responsible for:

– establishing long term plan;

– promoting environmental protection culture;

– reviewing and approving rules and system;

– performing research for significant source of pollution;

– assessing the condition of mining environment;

– implementing the reward and punishment systems for the work of environment protection; and

– coordinating production and environment protection in order to support the sustainable development.

ISO14001:2015 — Environmental Management System

The Group was granted a certificate of ISO14001:2015 regarding the Environmental Management System in production of bentonite products. ISO14001:2015 specifies the requirements for an environmental management system that an organization may use to enhance its environmental performance and manage its environmental responsibilities in a systematic manner that contributes to the environmental pillar of sustainability.

Pollution and Waste Management

Objectives

Response to revolution of national environmental system
Reach the legal discharge standard
Set a plan to reduce the pollution and waste quantity

The concerned department is liable to manage the pollution and promote the environmental awareness. They are responsible to build, enhance, maintain and repair the environmental protection device ("EPD"). The Production Technology Department is responsible for supervising and assessing the implementation and compliance of guidelines and systems.

Main processes of pollution and waste handling

Record the classification and quantity of pollution and waste
Prevent the discharge of motor oil, and oil tank
Prevent the discharge of solid waste and dangerous item
Collect the waste which cannot be discharged, to re-use and recycle
Collect, process and recycle the liquid waste and pollution

Air Pollution Control

Major exhaust emissions are come from coal burning. Flue Gas Desulphurization Plants ("FGDP") were installed in our boilers, which drastically reduce Sulphur Dioxide and dust emission, in order to comply with requirement of "Emission standard of air pollutants for coal-burning oil-burning gas-fired boiler GB13271-2001". The FGDP are maintained and managed by our operators.

The main sources of dust emission of Huanghu Bentonite Mine are mainly from open-pit mining, loading and unloading, flour mill, drying and movement of vehicles and mobile equipment. No obvious fugitive dust emissions were observed during the site visit to our Huanghu Bentonite Mine and our processing plant. We have a water truck for conducting water sprinkling to prevent fugitive dust emission at our Huanghu Bentonite Mine site. The Group's raw material storage facility uses a top-level meter to increase the degree of automation, which avoided excessive spillage and therefore wastage of raw materials. The Group also replaced the machines used in input of raw materials with belt conveyors which contributed to reductions in dust emission at the processing plant.

Greenhouse Gas ("GHG") Emission Analysis

The below table is the GHG emission analysis of the business of bentonite mining in the PRC.

Scope of GHG Emissions (note 1)	Emission Sources	Total GHG (CO_2 and CO_2 equivalent) emissions (tonnes)			Intensity per production (tonnes)		
		2021	2020	2019	**2021**	2020	2019
Scope 1							
Direct Emission	Combustion of fuel in stationary sources (note 2)	**1,040.39**	1,445.52	917.02	**0.007936**	0.012433	0.008156
	Combustion of fuel in mobile sources (note 3)	**137.38**	121.72	208.10	**0.001048**	0.001047	0.001851
	Removals from sources	**(73.59)**	(4.14)	(58.95)	**(0.000561)**	(0.000036)	(0.000524)
Scope 2							
Indirect emission	Purchased electricity (note 4)	**6,317.39**	5,697.14	5,081.14	**0.048187**	0.049000	0.045193
Scope 3							
Other indirect emission	Paper waste disposed at landfills	**0.97**	1.20	1.43	**0.000007**	0.000010	0.000013
	Electricity used for processing sewage (Note 5)	**2.42**	3.16	1.33	**0.000018**	0.000027	0.000012
	Electricity used for processing fresh water (Note 5)	**3.17**	4.15	1.74	**0.000024**	0.000036	0.000016
	Travelling	**1,716.5**	0.53	0.64	**0.000013**	0.000005	0.000057
Total		**7,503.43**	7,269.28	6,152.45	**0.057233**	0.062521	0.054721

Note 1: The GHG emission calculation method is based on the "Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange of Hong Kong Limited ("HKEx").

Note 2: The emission factor of consumption of the standard coal is 0.68 tonnes CO_2e per a tonne of standard coal.

Note 3: The figure for the year 2019 has been restated as to align with the calculation method provided in "How to prepare an ESG Report－Appendix 2: Reporting Guidance on Environmental KPIs" issued by the HKEx.

Note 4: The GHG emission calculation method is based on the "2019年度減排項目中國區域電網基準線排放因子" by the Ministry of Ecology and Environment of the PRC of China. The GHG emission factor is 0.79 kg CO_2e per unit for electricity.

Note 5: The figure for the year 2019 has been restated as the emission factor of sewage processing in the PRC was not identified during those reporting periods. The emission factor for the processing fresh water and sewage processing is calculated by the reference to the data of sustainability report of Drainage Services Department of Hong Kong and times the CO_2e factor of electricity consumed in note 4.

Sources of our GHG emissions include fuel combustion, purchased electricity, electricity used for processing of fresh water and sewage, paper waste disposed at landfills and travelling. The major sources of our GHG emissions were produced by the indirect emission of electricity usage in the product productions and direct emission of combustion of fuel in stationary sources

During the Reporting Period, the Group generates about 7,503.43 (2020: 7,269.28) tonnes of carbon equivalent emission. Among the total GHG emission, indirect electricity consumption was the major proportion. The increase of GHG emission was caused by the increase of electricity in the production. During the Reporting Period, total production amounted to 131,102.6 tonnes (2020: 116,269 tonnes), the tonnes of products produced by natural light air-drying was increased from 81,560 tonnes in 2020 to 103,582 tonnes in 2021. The products produced by dryer drying was decreased from 34,710 tonnes in 2020 to 27,521 tonnes in 2021. The variation of production was caused by the change of weather pattern.

The below table is the GHG emission analysis of the business of financial services in Hong Kong.

Scope of GHG Emissions	Emission Sources	Total GHG (CO_2 and CO_2 equivalent) emissions (tonnes)		Intensity per employee (tonnes)	
		2021	2020	**2021**	2020
Scope 1					
Direct Emission	Combustion of fuel in mobile sources	**7.53**	8.88	**0.151**	0.247
Scope 2					
Indirect emission	Purchased electricity (note 2)	**36.18**	28.71	**0.724**	0.797
Scope 3					
Other indirect emission	Paper waste disposed at landfills	**3.01**	1.47	**0.060**	0.041
	Electricity used for processing sewage	**0.011**	0.01	**0.0002**	0.003
	Electricity used for processing fresh water	**0.014**	0.02	**0.0003**	0.004
Total		**46.75**	39.09	**0.935**	1.092

Note 1: The GHG emission calculation method is based on the "Appendix 2: Reporting Guidance on Environmental KPIs issued by HKEx.

Note 2: The emission factors are 0.71 kg CO_2 per unit for electricity supplied by HK Electric.

The major source of GHG emission for business of financial services was the purchased electricity due to the principal business is office-based.

Air Emission Analysis

The air emission data of business of bentonite mining in the PRC is as follow:

Air emission	2021 (g)	2020 (g)	2019 (g)
Particulate Matter (PM) 微粒物質	**93,361**	82,725	141,279
Sulphur Oxide (SOx) 硫氧化物	**846.11**	749.72	1,280
Nitrogen Oxide (NOx) 氮氧化物	**1,464,748**	1,297,872	2,216,528

Note 1: The emission factors of SOx by vehicles extracted from Appendix 2 to the Reporting Guidance on Environmental KPIs are 0.0161 gram/litre. The emission factors of PM and NOx by vehicles was calculated as per the method stated in "非道路移動源大氣污染物排放清單編製技術指南" issued by Ministry of Ecology and Environment of the PRC.

The air emissions of business of bentonite mining were mainly produced from combustion of fuel in sources of vehicles. The increase of air emission in PM, SOx and NOx was contributed by the higher usage of the vehicles as the increase of production.

The air emission data of business of financial services in Hong Kong is as follow:

Air emission	**2021** **(g)**	2020 (g)
Particulate Matter (PM)	**111.34**	114.40
Sulphur Oxide (SOx)	**46.92**	48.21
Nitrogen Oxide (NOx)	**1,512.20**	1,533.76

Note 1: The air emission calculation method is based on the "Appendix 2: Reporting Guidance on Environment KPIs" issued by HKEx.

The air emissions of business of financial services were mainly produced from combustion of fuel in sources of mobile vehicles.

Emission Targets

Emission target will be set as directional improvement of the air emission. The specific steps will be the increase of proportion of products production by natural light air-drying in the future reporting period. Our air emission was mainly produced by the electricity and coal usage which would be expected to be lower if there is increase of proportion of production method by natural light air-drying.

Apart from the control on the production, we would achieve our emissions target by introducing a series of initiatives focusing on reducing emissions from vehicles and energy consumption. These emission reduction measures are as follows:

- switching off idle lightings and electrical appliances;
- using variable-frequency equipment in the mine or production areas;
- installing energy saving equipment in the power supply system of the mine
- adopting the use of LED lighting system; and
- maintaining the temperature of the air-conditioner at a suitable level, cleaning the air-conditioner and ventilation equipment regularly to conserve power.

Solid Waste Management

Our major solid wastes were come from office domestic garbage, waste soil, cinder and mine construction waste. Mine office is responsible to process the solid waste. Production Technology Department is responsible for monitoring, counting, assessing and governing the solid wastes handling.

We have complied with the "Standards for pollution control on the storage and disposal site for general industrial solid wastes GB18599-2001".

Wastewater Discharge Management ("WDM")

We strictly execute China standard "Integrated Wastewater Discharge Standard GB8978-1996" in our WDM. The water used in production is recorded and monitored by the mine office. In handling the domestic wastewater, which came from our office and staff dorm, precipitation treatment is performed before discharge. We collect rainwater and used in planting and road sprinkling water. Wastewater from cleaning is collected and to be further process before discharge.

Hazardous waste

We have a maintenance workshop for mining machinery at the processing plant and waste oil is collected in discarded oil drums, which is reused as a lubricant. Our processing operations also uses processing reagents such as sodium carbonate, which are stored in warehouses with no secondary containment. Our independent technical consultant was of the opinion that the hazardous materials management risk was low and can generally be managed as environmental standards and regulatory requirements in the PRC are followed.

There was no hazardous waste produced during the Reporting Period and the previous year.

Non-hazardous waste

During the Reporting Period, the non-hazardous wastes in our production were approximately 145,980.8 (2020: 122,595.2) tonnes, and the intensity was 1.11349 (2020: 1.05441) kg per ton of bentonite produced.

The waste soil and rock were used to fill the abandoned mine pit, tunnel and construction of river embankment. The increase of non-hazardous waste was due to the increase of waste soil and rock from 76,622 cubic meter in 2020 to 91,238 cubic meter in 2021 which was produced in the production. The Group will continue to monitor and manage the generation of non-hazardous wastes.

Our reduction target of the non-hazardous waste will be set as reduce the waste soil and rock during our production by the enhance of the efficiency of the production. Furthermore, the waste soil and rock should be re-used in order to lower the impact to natural environment.

Packaging Materials

Total plastic used for packaging in 2021 was approximately 164.94 (2020: 112.39) tonnes, and the intensity was 0.00126 (2020: 0.00097) kg per ton of production. Compared with last year, the use of packaging materials has increased significantly. The Group will strictly control the use of materials and consider using more recyclable materials such as biodegradable plastics to reduce the impact on the environment.

Environmental, Social and Governance Report

Noise Pollution Control

In selecting the equipment suppliers, noise minimization is a necessary consideration. In all steps of engineering project, the precaution of noise pollution procedures and facility are well-established.

Our noise control devices, installed in our boiler, fan and other mechanical devices, provide sound insulation and reduce synchronization effect. Other protection equipment such as earplug and earmuffs are also provided to workers. Also, internal guidelines and operation manual are provided to all workers.

We have complied with the "Emission Standard for Industrial Enterprises Noise at Boundary GB12348-2008" and "Noise limits for Construction Site GB12523-90".

Pollution Accident Handling Plan

For the abnormal pollution discharge, Production Technology Department is responsible for investigation, then report to the management. For the significant accident, a significant environmental budget plan can be switched on.

Environmental Assessment

Environmental assessment is part of annual assessment of each department and employees. The results and significant issues are reported to relevant department and seek further improvement.

Reward and Punishment Mechanism

Employees who perform well in compliance of internal guidance and environmental protection procedures, will be rewarded according to the Group's policy. At the other hand, employees violating "The Environmental Protection Law of the PRC" are subject to our punishment mechanism.

Efficient Use of Resources

To achieve energy conservation and enhance energy efficiency, we formulated a series of method by reference to the "Law of the PRC on Conserving Energy" and "Decision of the PRC State Council to strengthen energy conservation".

To achieve medium and long-term environmental goals and ensure continuous development, we strengthen the aspect for management, awareness of energy conservation for all employees, acceleration of scientific and technology, improvement of energy efficiency and evaluation mechanisms.

The Group has set up an "Energy Saving and Waste Reduction Team" which is led by the general manager and the head of mining operation to deliver the resources management policy and communicate with the employees to raise their awareness on resources conservation.

The principles of resources management policy are:

- conservancy of resources
- optimization of structure and balanced energy mix
- emission reduction with cost benefit
- technology development and replacement of plant and machine with high energy consumption

To develop a responsible resources management, "Energy Conservation Working Group", composed of general manager and team leader of mine operation, was organized to:

- formulate policy to comply with law and regulation;
- manage and cooperate operation; and
- organize training for employees.

Analysis of Resources Usage

For the Reporting Year, the resource usage data of business of bentonite mining in the PRC is as follow:

	2021	2020	2019
Resources			
Coal (tonnes)	**1,530**	2,126	1,349
Electricity (kWh)	**7,975,496**	7,192,448	6,315,111
Diesel oil (litres)	**52,554**	46,566	79,527
Water (cubic meter)	**10,891**	14,244	5,971
Office paper (tonnes)	**0.20**	0.25	0.30

Intensity of the usage of resource	**2021**	2020	2019
Resources	**Intensity**	Intensity	Intensity
Coal (tonnes per ton of production)	**0.012**	0.012	0.012
Electricity (kWh per ton of production)	**61**	62	56
Diesel oil (litres per ton of production)	**0.401**	0.401	0.707
Water (cubic meter per ton of production)	**0.08**	0.12	0.05
Office paper (tonnes per employees) (note 1)	**0.0026**	0.0030	0.0031

Note 1: The intensity used for office paper was changed from tonne of production to employee. The change is to match the major sources of consumption of those resources. Office paper was mainly consumed by the office employees.

As explained in the previous section of air emission, the increase of resources usage of electricity was caused by the increase of total production. The energy used in dryer drying for the production of products was decreased, resulted a decrease in coal usage. The variation of proportion of production method was caused by change of weather pattern.

Water

The Group makes every effort in saving water and reducing wastewater discharge. We integrate water and wastewater management to reduce water consumption at the source, and we implement water reuse to reduce the impacts on the water environment from our operations.

Most of the water devices were installed automatic sensor to improve the water efficiency. We educate employees on the importance of water conservation and reduce unnecessary water waste. When any leaks occur on any equipment, we perform maintenance procedures immediately to avoid waste.

All water is the use of domestic use by administrative office and water sprinkling to prevent fugitive dust emission during the production as the main consumption. The proportion of water consumed in industrial production processes is relatively small. During the Reporting Period, we had a total municipal water consumption of 10,891 (2020: 14,244) cubic meter, and the water intensity was 0.08 (2020: 0.12) cubic meter per ton of production.

We do not have any issue in sourcing water as our all water used by the Group is sourced from municipal water.

The Group has set the water efficiency target as the directional improvement on the water usage per tonne of production. We have adopted several controls to lower the water usage in the administrative office. Furthermore, the reuse of wastewater in water sprinkling for preventing fugitive dust emission will be considered to lower the water usage. We have seen the effect of these measures as we see both of the total water consumption and water intensity has decreased.

Office paper

A total of approximately 0.20 (2020: 0.25) tonnes of paper with an intensity of 0.0026 (2020: 0.0030) tonnes per employee has been used for daily office operations. Paper usage is decreased compared to last year and paper recycling practice is engaged and promoted regularly to raise employees' awareness on conserving paper.

Electricity

Signs are placed in the Group's office area to remind our staff to save energy continuously. Also, energy-efficient lighting system is installed in office area and electronic lighting sensors are installed in most of the meeting rooms. Contributed by the lighting systems, temperature control and reminding notice, the wasted power is maintained at minimal level. The Group will continue to raise employees' awareness of energy saving.

For equipment purchasing, employees are encouraged to take energy efficiency into consideration when purchasing office equipment such as considering the energy cost of the equipment and its useful life.

The electricity consumption by the Group was 7,975,496 (2020: 7,192,448) kWh with an energy intensity of 61 (2020: 62) kWh per ton of production.

A total of 52,554 (2020: 46,566) litres of diesel, with an intensity of 0.40 (2020: 0.40) per tonnes of production, was used for private cars for transportation. The Group will pay more attention to the use of diesel and use clean energy instead of diesel.

For the Reporting Year, the resource usage data of business of financial services in Hong Kong is as follow:

	2021	2020	2021 Intensity per employees	2020 Intensity per employees
Resources				
Electricity (kWh)	**50,959**	35,439	**1,019**	984
Petrol (litres)	**3,192**	3,280	**64**	91
Water (cubic meter)	**49**	52.85	**0.97**	1.47
Office paper (tonnes)	**0.63**	0.31	**0.013**	0.009

Environmental Protection Plan

We understand that our operations have significant impacts to the ecology of natural environment of the mine area. To lower and manage the impact, the Group places strong emphasis on treatment and management of mines. Ecology, environmental protection, safety and intensive utilization of resources are the primary focus of our work. We confirm the work approach of scientific planning, reasonable mining, resources conservation, promotion of harmonious development between human beings and the nature as well as green, ecologically and environmentally friendly mining enterprise. Restoration of mines is included in the production, operation and long-term development plans of the Group.

Environmental assessments must be conducted by the Group for new projects and damages on the ecology in the course of development and construction are avoided to the greatest possible extent. The Group proactively implements the "National Mineral Resources Plan" issued by the Ministry of Land and Resources of China and the "Implementation Opinions on Accelerating the Construction of Green Mines" jointly issued by six national departments.

In terms of ecological restoration, the concept of "biodiversity" has been actively introduced by planting various vegetations with reasonable mix and match for a coordinated landscape of the regreened mining area and the surrounding natural environment.

Reclamation Plan

Natural resources of land are the basis for human survival and the source of human production. The objectives of reclamation plan are:

– to effectively curb surface of land damage and soil erosion, rehabilitate the damaged land, restore the ecological environment of the mining area; and

– to implement and strictly comply with the principle of "Rehabilitation by Destroyer" and "Regulation on Land Reclamation" announced by the State Council of PRC.

Through the implementation of the plan, it is able to strike a balance of development of mine production and protection of natural resources and improvement of the ecological environment of the mining area.

	Principles of reclamation plan
Source control, combination of prevention and reclamation	Evaluation and forecasting of the area of the utilized and damaged land are included in preparation of reclamation plan. Preventive and control measures were taken during production and construction activities to minimize unnecessary damage to the land.
Synchronization of mining and reclamation	The future purpose of land utilization is determined in planning therefore the reclamation construction can be performed with mining activities at the same time. The fundraising for reclamation is prepared efficiently.
Act according to local conditions, priority of agriculture	The production and construction of the mine will have certain impact on the ecological environment and land use conditions of the mine site and surrounding areas. The land reclamation plan should be combined with the actual situation of the locality. The direction of reclamation should be agriculture, Animal husbandry, and fishery. If conditions permit, it should be reclaimed as agricultural land. The legitimate rights and interest of the local community is safeguarded.

The Group had performed the following major reclamation works:

Procedures	Details
Drainage ditch and Sedimentation tank	The drainage ditch was constructed to collect the rainwater in order to prevent the surface runoff. Sedimentation tank was constructed to collect the suspended solids in order to reduce the water pollution.
Covering soil and vegetation reconstruction	During the Reporting Period, 3,600 m^2 (2020: 50,787 m^2) of mining area were covered soil and grass.
Monitoring system	Monitoring points were setup to monitor drainage diversion, mountain slope stability and the survival rate of newly planted tree and grass.

Compliance of Laws and Regulations Relating to Environment

The Group strictly complies with the laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste, including but not limited to: the Environmental Protection Law of the PRC, the Law of the PRC on the Prevention and Control of Atmospheric Pollution, the Law of the PRC on Prevention and Control of Water Pollution, the Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste, the Law of the PRC on Prevention and Control of Environmental Noise Pollution, the Law of the PRC on Prevention and Control of Soil Pollution, the Environmental Protection Tax Law of the PRC and the Environmental Impact Assessment Law of the PRC.

Climate Change Risk

In 2021, the Company identified the major risks and opportunities of climate change, and formatted effective strategic measures to respond to climate change. In the future, we will conduct ongoing assessment and review to strengthen management effectiveness.

Type of risk	Description of risk	Strategic risk measures
Transition Risks: Policies and Laws	The Chinese government's relevant policies, laws and regulations on carbon emissions are gradually becoming stricter. The construction of national carbon emissions trading market is being proactively promoted.	– It is planned to research, formulate and continuously improve plans for medium to long-term targets of carbon emissions. – It is planned to reduce emissions of greenhouse gases by enhancing techniques and decreasing energy consumption and to roll out technological R&D of alternative clinker, alternative fuel, capture of carbon dioxide and low-carbon products.
Physical Risks: Extreme Weather	Extreme weather (rainstorm, typhoon, heavy snow, flood, high temperature, severe coldness, etc.).	– We strengthen risks analysis, organize and execute inspections of latent hazards in key regions, reinforce overall planning and coordination of disaster prevention and treatment, formulate contingency plans and regularly organize disaster safety drills to arouse the staff's precautionary awareness and resilience. – Insurance is taken out to secure personal injuries and property damage caused by various disasters and accidents. – We continue to expand multiple procurement channels and understand the situation of power supply and coal supply to secure supply.

Type of risk	Description of risk	Strategic risk measures
		– Shipping arrangement of goods is dependent on the weather conditions. During extreme weather, shipping is suspended, employees are relocated to safe places, loading and unloading equipment are fixed. Customers and transportation companies are also advised in advance for reasonable arrangement of vehicles. Retail customers are offered assistance on storage and transpose of goods.
Chronic risk: Extreme Weather	In long-term, the climate change would change the chronic health condition. The higher temperature would result in changes in transmission patterns of infectious diseases or higher risk of thermal stress.	– The Group would regularly raise the awareness of the employees to risk of health issues caused by fluctuation of temperature as well as the risk of infectious diseases. At the current stage, the chronic risk to the Group is not significant. However, the Group would closely monitor the relevant risk and establish controls, such as change of place of the operations where the place has lower chronic risk, if required. At the same time, the Group would exercise best effort to reduce its emission and enhance the portion of green investment in the future in order to make even minimal but meaningful contribution to address climate change risk.

Natural Disaster Emergency Plan

The global climate is changing, in ways that affect the operations of businesses and increase the relevant risk. To improve the emergency capacity in response to natural disasters, a designated command system was formed to lead, direct and coordinate the emergency rescue procedures.

Function	Designated person	Responsibilities
Chief commander	General Manager ("GM")	GM is responsible for making final decision and the result the rescue actions.
Vice commander	Head of Administration ("HA")	HA is responsible for: i.) realize the situation ii.) release rescue order iii.) collect weather forecast and communicate to each department iv.) prepare relevant training v.) organize security guard and external rescuer to execute rescue plan vi.) communicate with external parties and press release
Support team	Finance, Purchase and Information Technology Department ("ITD")	ITD is responsible to ensure availability of the internal communication channel. Other departments are responsible for preparing medicine, medical device and temporary medical location.
Rescue team	Production Department ("PD") and Security Department ("SD")	PD and SD are responsible for arrange the evacuation and rescues of employees and company resources.

Specific contingency plans were developed for natural disasters. The plan covers the heighted risk area and workplace, prevention procedure and field rescue.

Type of natural disaster	Prevention
Rainstorm	– preparation of rescue tool – periodic check for the safeguard of hazardous chemicals – ensuring drainage facility and factory facility can sustain the rainstorm – preventing rainwater infusion
Typhoon	– strengthening peripherals in the risky season – collecting and communicating the weather information to responsible department – eliminating the dead and broken tree – entry restriction on all construction during the typhoon – periodic check for the firmness of all building
Lightning Strike	– periodic check for the lightning protection facility – building the lightning protection facility – periodic backup of system data – allocating support team to maintain the system during risky season
Earthquake	– providing training and promote relevant knowledge – preventing fake earthquake message – periodic performing earthquake drill – preparing sufficient rescue material

EMPLOYEES

Employees are important means to run a business, and at the same time, nurturing them are a goal of business operation. We believes that based on the principles of value-added and all-win partnership, employees should be encouraged to grow with the Group. To attain the goal of nurturing its staff, the Group should foster a harmonious corporate culture and a safe working environment to ensure that all employees receive the respect and protection which they deserve.

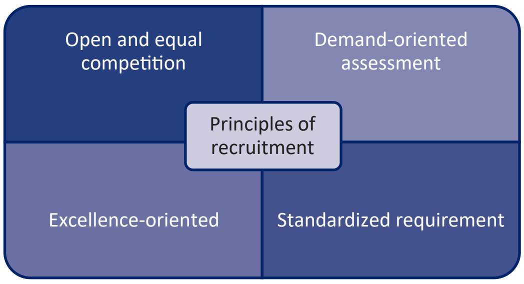
Communications and Mutual Respect

We respects every single employee, regardless his or her position. We believe that respecting employees is an essential quality of a modern enterprise. To build a harmonious and satisfying work environment, mutual respect and efficient communications are crucial. The Group's efforts to care about and understand its employee made us a cozy home for everyone.

Recruitment Principles

We are proud to be an equal opportunity employer. We are committed to providing our employees with a safe, healthy and fulfilling work environment with competitive remuneration and benefits, fair management and ongoing opportunities for training and development.

The main focus of our human resources strategy is to support employee development, to enable people to reach their full potential and to retain employees who are dedicated, strongly motivated, highly competent and have the capabilities to help us achieve our ambitions.



Prohibiting Child and Forced Labour

The Group insists on legal use of labour and prohibits employment of child and forced labour. We strictly check the age of applicants, never employ minors aged below 18, and never force others to work by means of violence, threats or restrictions on their physical freedom, in order to protect their legal rights, interests and health pursuant to the Criminal Law of the PRC, the Labour Law of the PRC, the Law of the PRC on the Protection of Minors, the Provisions for Special Protection of Under-Aged Labour and the Provisions on Prohibition of Using Child Labour. Employees must truthfully provide their personal data at commencement of employment and must start to work in accordance with the requirements of relevant policies after commencement of employment. Cases of holding forged identification documents or providing false personal data or false work experience, once found, will be handled according to the relevant requirements of the Group's policies. Serious cases with detrimental effects might be handled according to relevant legal requirements.

Compliance to Protect the Interests of Employees

The Group takes responsibility for ensuring compliance with labour laws where we have operation. We conduct labour risks assessment annually, evaluating the urgency and severity of the risks. We take all relevant information into consideration including the latest legal requirements, feedback from stakeholders, and media analysis as we adjust our management approach to the matter.

The Group is in strict compliance with laws and regulations including the Labour Law of the PRC, the Labour, Contract Law of the PRC, the Social Insurance Law of the PRC, the Law of the PRC on the Protection of Women's Rights and Interests, the Law of the PRC on the Protection of Minors, the Regulations on Paid Annual Leave of the Employees, the Regulations on Work-Related Injury Insurances, the Special Rules on the Labour Protection of Female Employees, the Provisions for Special Protection of Under-Aged Labour and the Provisions on Prohibition of Using Child Labour. By adhering to the principle of equal employment, we prohibit all discrimination due to differences in gender, age, territory, education, religion, nationality, race, sexual orientation and disability. We also oppose forced labour, overtime work, harassment and abuse. We effectively protect the rights and interests of employees, support the minimum wage, and ensure that employees enjoy fair entitlements in terms of recruitment, labour, salary, training, promotion, compensation and rest periods.

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The Company also complies with the Labour Law of Hong Kong and relevant employment laws and regulations during the Reporting Period, including the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) by participating in the Mandatory Provident Fund retirement benefit scheme for our eligible employees, Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong). Working hours, leaves, remuneration and other employment practices are reviewed regularly to ensure compliance with latest labour laws and regulations and the norms of the markets where our Company operates. During the Reporting Period, there were no non-compliance cases identified relevant to laws and regulations on recruitment, employment, benefits and welfare, and anti-discrimination.

Comprehensive Incentive System

P.B. Group values its employee and understands their needs. Based on the principles of efficient management, the Group rewards the employee according to their efforts and contributions to the company. Since its employee are allowed to share the benefits stemming from the growth of the company, they are encouraged to step up their own competitiveness.

The remunerations package is combined of various factors such as job responsibilities, performance, attitude, skills and company's revenue.

In addition, we provide the follow incentives to employees:

– incentive for the length of services to value the employees' historical contributions and giving extra care;

– bonus related to profit, revenue, other contributions; and

– allowances for transportation, meal, housing, night shift and overtime.

Nurturing Internal Talents

P.B. Group cannot guarantee to be its employee's home in their career life forever, but it strives to improve their professional quality, enhance their work experiences, provide in-house training and create promotion opportunities for them. To fulfil its need for professionals, the Group mainly train their employee to assume the needed duties, and only introduce professionals from outside when necessary. This aims to nurture professionals and talents at different levels and for different business sectors internal.

Training and Development

The Group attaches high importance to attraction and retention of talents. We, based on our business development principles and needs, invite professionals and those with management expertise to optimize our structure of human resources. We believe it is vital to nurture talented employee. As such, we encourage our employees to join internal or external training programs while subsidies are also available, in order to improve their quality, qualifications, skills, professional know-how and work efficiency for long-term growth.

The training information of the business of bentonite mining in the PRC

Classification	Percentage of employees trained		Average training hours completed per employee	
	2021	2020	**2021**	2020
By gender				
Male	**100%**	100%	**52**	56
Female	**100%**	100%	**14**	14
By grade				
General	**100%**	100%	**25**	25
Middle level	**100%**	100%	**93**	110
Senior management	**100%**	100%	**79**	87

The employees training covered the following aspects:

– fire safety

– safety of resumption of productions

– skills of special equipment

– safety of production and operating the production equipment

– safety management of mine

– health and occupational knowledge on work

– orientation training

– anti-corruption

– business management

Offline Training

Regarding offline training, employees training was initiated in multiple formats. Training on management, profession and skills was delivered to different levels of employees. Excellent internal lecturers and elite programmes had been created for enhanced quality on training through the advanced empowerment training of internal lecturers. During the Reporting Period, all the employees attended offline training for a total duration of approximately 2,493 hours (2020: 2,573 hours).

Online Learning System

Affected by the epidemic, the Group vigorously launched more online staff training. The construction of online learning resources database was advanced. The total duration of online training was approximately 240 hours (2020: 540 hours), and approximately 12 employees' (2020" 22 employees) participants were in attendance of the online training.

Step by Step Training

Human Resources Department is responsible for planning, arranging and recording the training and assessment of the employees. A special reward is given to trainer to promote a culture of sharing of knowledge between employees. The trainings are divided into different steps and provided to employees at appropriate stages.

Orientation training

Comprehensive orientation training includes company and industry history, culture, introduction of organization, rules and guidelines, job details and job skills. The orientation training is split into three stages which are headquarter training, branch training and field training.

On-job Training System

The objective of the systems is to assist the Group to meet the target performance and develop the potential of employees.

In identifying the demand of training, an analysis performed for the following three aspects:

Aspects	Details
Company demand	Identifying the strengths and weaknesses Identifying the future manpower requirement
Team demand	Performing questionnaire, meeting and manpower planning
Personal demand	Assessment on the work performance and job analysis

The training information of the business of financial services in Hong Kong

Classification	Percentage of employees trained		Average training hours completed per employee	
	2021	2020	**2021**	2020
By gender				
Male	**61%**	68%	**5**	6
Female	**91%**	76%	**9**	7
By grade				
General	**70%**	69%	**6**	6
Middle level	**80%**	86%	**8**	7
Senior management	**100%**	67%	**7**	9

Education Subsidies

Each department can recommend employees to apply education subsidies. The qualified employees can exempt from work and study full-time university education.

Resignation Procedures

For the process in resignation, a detailed communication will be performed to retain well-performed employees and identify the cause of resignation. We will collect the comments and evaluation from resigned employees in order to identify potential improvement for the Group.

Anti-discrimination and Anti-harassment

We comply with all relevant employment and equal opportunities legislation wherever it works and seeks to employ or engage a workforce which reflects the diverse community at large. We comply with equal opportunities legislation and seeks to promote fair employment policies, within the framework of local culture and laws. We seek at all times to engage the best candidate for the job-consideration of gender, marital status, sexual orientation, religious belief, colour, race, nationality or ethnic or national origin, has no place in this decision.

All levels of management are responsible for applying these policies and avoiding any form of discrimination.

All remuneration, benefits, career opportunities, and retirement arrangements must comply with this policy. Employee will be selected and treated on the basis of their abilities according to the requirements of the job, and have equal opportunity to show their ability and to progress within the organization. We aim to promote on merit and ensure that all employee are afforded equal opportunity when consideration is given to learning and development programs. We are committed to maintenance of a neutral working environment, in which no current or prospective employee feels under treat because of their origins, beliefs, gender or marital status.

Any acts of unlawful discrimination will be viewed as gross misconduct. All advertisements and advertising material must be reviewed to ensure they do not imply any intention to discrimination.

Employment Profile

The analysis of human resources of the business of bentonite mining during the Reporting Period is as follow:

Classification	2021 Numbers (note 1)	2021 Proportion	2020 Numbers (note 1)	2020 Proportion
By gender				
Male	**46**	**61%**	51	61%
Female	**30**	**39%**	32	39%
By region				
Hong Kong	**–**	**–**	–	–
PRC	**76**	**100%**	83	100%
By grade				
General	**61**	**80%**	68	82%
Middle level	**9**	**12%**	9	11%
Senior management	**6**	**8%**	6	7%
By age				
Aged below 30	**–**	**–**	–	–
Aged 30-50	**52**	**68%**	57	69%
Aged 50 or above	**24**	**32%**	26	31%
By employment type				
Full time	**76**	**100%**	83	100%
Part time	**–**	**–**	–	–

Note 1: The number of employees is calculated by the average monthly number of employees.

The analysis of turnover rate of employees of the business of bentonite mining during the Reporting Period is as follow:

Classification	**2021 (note 1)**	2020 (note 1)
Total employee	**16%**	13%
By gender		
Male	**20%**	15%
Female	**10%**	9%
By age		
Aged below 30	**–**	–
Aged 30-50	**15%**	2%
Aged 50 or above	**20%**	31%
By grade		
General	**20%**	15%
Middle level	**–**	–
Senior management	**–**	–
By region		
Hong Kong	**–**	–
PRC	**16%**	13%

Note 1: The calculation of turnover rate was the total number of employees who left employment during the year divided by the total number of employees at the beginning of the year.

Employment profile of business of financial services in Hong Kong

Classification	**Number of employees**		**Turnover rate**	
	2021	2020	**2021**	2020
Total employee	**50**	36	**6%**	18%
By gender				
Male	**28**	19	**3%**	14%
Female	**22**	17	**5%**	11%
By region				
Hong Kong	**50**	36	**4%**	12%
Others	**–**	–	**–**	–
By age				
Aged below 30	**20**	14	**–**	26%
Aged 30-50	**24**	18	**4%**	–
Aged 50 or above	**6**	4	**17%**	–
By grade				
General	**37**	26	**5%**	16%
Middle level	**10**	7	**–**	–
Senior management	**3**	3	**–**	–

Concerns About Occupational Safety

Among all P.B. Group's businesses, the tradition energy related business has less favorable production environment. The work requires harder labor and is more dangerous. As P.B. Group has a great sense of responsibility and a natural tendency to care about its employee, it invests of a large sum of money to formulate and implement thorough safety control measures as well as to build a safe production environment for its employee.

Production Safety

Safety of our employees is always our Group's central concern and is the core of our mission. One of our approaches is to create a strong culture of safety, by implementing high safety standards and by providing appropriate training and education to our employees. We care about our employees and their families, and therefore strive to protect them and by providing a safe and healthy working environment.

We have our owned safety production and operational manual which specify certain procedures such as our safety production procedures in respect of different posts and departments, our accident prevention procedures and accident reporting procedures. The roles and responsibilities of each of the supervising employee and workers are clearly defined and each supervising employee is accountable for their respective areas of responsibility. Our mine manager supervises the implementation of regular on-site examination and continuously monitors the safety policies. Regular safety drills are carried out to ensure the awareness of safety production measures in case of emergency handling. We strictly complied with the Production Safety Law of the PRC.

The key points of our policies are:

- to provide our employees with appropriate protective gears

- to reduce work-related injury and illness

- to ensure information regarding occupational health and safety are made readily available to employees in appropriate language(s)

- to ensure that employees are aware, through newsletters, training or other effective and frequent means of communication, of our obligations with regards to site safety and their own obligations of ensuring the safety of themselves and other employees

During the Reporting Period and the past three years, we recorded zero cases of occupational disease and we were not aware of any non-compliance with laws and regulations having a significant impact on the Group relating to occupational health and safety.

Safety Training

New hires are subject to production safety education and training. They cannot enter to factory before the completing examination. The training methods include lesson, case study and practice. All employees are subject to annual production safety training.

Special workers, including electrician, welder, forklift driver, mine manager and securities officer, are required to pass the national legal examination.

Safety Check System

The Safety Department conducted a total safety check and review in monthly basis. The checking team is composed of senior management, department head and factory manager. The securities risk identify in the safety check was communicated to each department. The relevant department prepared a plan by proposal to Safety Department and for their verification.

Safety check is performed daily, seasonal and before and after the holiday. The department or employees violating the safety guidelines are subject to punishment and re-education.

Safety Incident Emergency Management

The Group has established a safety incident emergency procedure which:

- any accident should be reported to mine manager and management
- if the accident is related to law and regulation, it should be reported to local government
- the rescue should be executed immediately
- the accident scene should be properly protected for following investigation
- the cause of accident must be identified
- the accident responsible person must be punished
- the education about the accident must be provided to employees Corresponding procedures must be adopted to prevent the same accident

Customer

We believe that the reliability and quality of our products are crucial to the success of the Group. As such, we have established and maintained stringent quality control standards and testing and inspection procedures at each critical step in the production of our drilling mud and pelletizing clay. These standards and procedures are documented in our quality control manual. In addition, we provide training to our employees to ensure effective application of our quality control procedures. We are dedicated to consistently producing high-quality products to meet the requirements of our customers.

As regards to trading business, we have established a sales management system to monitor the sales process. By identifying customers' requirements on our products, we negotiate with them on prices, quantity, quality and delivery schedule prior to entering into sales contracts. Subsequently, we will follow up the delivery process to ensure that our products fulfill the terms under the sales contracts. We will collect customers' feedback through various communication channels before, during and after the delivery processes. Customers' feedback is used as the benchmark to evaluate our quality assurance system and we will take rectification measures when needed.

As for advertising and marketing policies, we are committed to a responsible approach to communication. It is the Group's policy to adhere to internal verification process for information used in advertising and promotion and ensure that our advertising and promotional materials are backed by past performance and relevant data based on customer feedback or laboratory results.

Data Privacy Policy

For each of the new customer, Sales Department is responsible to perform detailed background check by obtaining certificate, business license, tax registration and written report. The sales contracts and information were safe kept.

Data and information provided by all customers, suppliers and other parties are keep confidential in the Group. The responsibility for saving confidential information continues even the termination of the commission contract. In order to fulfill our obligations regarding confidentiality, we require employees, supervisors or directors to sign a confidentiality agreement to confirm their consent to be bound by this rule.

Our business and communication records are restricted to be disclosed and used without the approval of the management. Employees and directors are not allowed to use the company email system, computer system and internet for personal purpose.

Without the consent of the board of directors, all employees, supervisors or directors must not use the company's assets, data or their position to obtain personal benefits.

Protection of intellectual property rights

Brand is one of the most important intangible assets for modern enterprises. In order to exercise our product philosophy consistently throughout the product design and production process comprehensively and sufficiently, as well as to ensure the exclusivity of our brand, we firmly stick to the concept of intellectual property protection and emphasise the utmost importance of intellectual property right management. We strictly comply with the relevant laws and regulations on intellectual property protection, such as the "Intellectual Property Protection Law of the PRC" by setting up specialised departments to follow up related work while seeking professional advice from external intellectual property law firms.

In the course of co-operation with our partners, we maintain our own intellectual property rights in accordance to law. We also respect our partners in intellectual property, which will be applied strictly within the authorised scope as required. In respect of marketing and promotion, we strictly comply with the "Advertising Law of the PRC", and use authorised promotion materials and information to ensure that others' intellectual property rights are not infringed. In case of litigation, we can apply the intellectual property system in a timely manner to safeguard the legitimate rights and interests of enterprises, and appeal against intellectual property infringers.

Intellectual property management system

The Group's intellectual property management system was certified by a leading IPMS certification company in the PRC for the compliance of national intellectual property standards of "Enterprise Intellectual Property Management (GB/T 29490-2013)". The compliance of the standards enhance the Group's capabilities of risk management and control environment related to intellectual property management.

Environmental, Social and Governance Report

The Group's intellectual property management system includes the following process:

- Planning: To understand the Group's intellectual property management needs and formulate intellectual property policies and objectives;

- Implementation: To obtain, maintain, apply and protect intellectual property rights in the business aspects of product establishment, research and development, procurement, production, sales and after-sales;

- Evaluation: To monitor and review the effectiveness of intellectual property management;

- Improvement: To continuously improve the intellectual property management system based on the evaluation results.

Product Quality Control

The Group is in strict compliance with the Product Quality Law of the PRC. Our product quality supervision process can be divided into fourth stages including raw material testing, semi-finished products testing, finished products testing and testing for products delivery. The testing results are recorded in the system for the management's review and control.

We have been accredited with ISO9001:2008 certification, an international certification for quality management systems, for the production of bentonite product, including our drilling mud and pelletizing clay.

For the compliant and product quality issues, our Sales Department is responsible to communicate with customer and record the details. Employees are sent to assist customer, If necessary. The returned products are assayed by our laboratory in order to verify the product quality. The procedures of the sales return are governed by the sales contract and negotiation with customers.

Recall Procedures

The Group had set up standards for managing quality incidents, which identify and diagnose the incidents, provide solutions to handle substandard products and offer compensation standards, recall mechanism and process flow. Once discovered and confirmed that substandard products have left our factories or there are serious quality issues in the process of using the products, we would immediately inform the relevant customers to stop using or isolate that batch of products, organize recall on that batch of products if unused, confirm and compensate damages to customers. We will also conduct investigation and analysis on the quality incidents, formulate rectification measures and account for responsibilities, and verify the rectification results.

No products sold or shipped were subject to recalls for safety and health reasons for the Reporting Period and the past three years.

The Group did not receive any complaints related to the products or services for the Reporting Period and the past three years.

CODE OF CONDUCT AND GUIDELINES

Insider Trading

Employees are prohibited from using or transmitting to anyone the confidential data which they hold for stock trading purposes or for purposes other than processing the company's business. All company data not disclosed to the public is considered confidential. Using undisclosed data to obtain personal benefits or to disseminate such data to others affects their investment decisions, not only unethical, but also illegal.

Fair Competition

We seek to compete with competitors fairly and honestly. Without the consent of the patent owner, we prohibit to steal or obtain the patent data, inside information and trade secrets from former or current employees of competitors.

Every employee should respect the interests of the company's customers, suppliers, competitors and employees and trade with them fairly. All employees must not infringe upon the interests of others by manipulating, concealing, abusing privileged data, issuing misleading information or intend to deliberate unfair transactions.

Report of Illegal or Unethical Behavior

We encourage employees to report violations or unethical behaviors to their supervisors, managers or senior management. The anonymous reporter is protected by the Group's policy. Employees should cooperate with internal investigations. Non-cooperative employees will be terminated the employment relationship.

Management Effort for Anti-fraud

The anti-fraud work of the management includes:

– promoting integrity and anti-fraud corporate culture;

– assessing fraud risks and establishing specific control procedures and mechanisms to reduce opportunities of fraud;

– providing appropriate training and communication about the compliance of law and regulation and ethics;

– offering an open channel to employees for whistleblowing; and

– involving the Board of Directors and Audit Committee to monitor the whistleblowing.

Anti-corruption in the PRC

The Group strictly complies with the Criminal Law of the PRC, the Anti-Unfair Competition Law of the PRC and the Anti-Money Laundering Law of the PRC. No person is allowed to take advantage of their position to demand and receive bribery or obtain benefits by improper means.

The Group's Employee Handbook strictly prohibited employee behaviours like receiving gifts and cash, accepting free travelling and meals, and asking for bribery and other severe violations of the Group's discipline. The Group annually organizes the board meetings and all employees to study the Employee Handbook to strengthen their anti-corruption awareness. The Group regularly provided the training materials to the directors and employees for their updated the knowledge of anti-corruption and enhance their awareness.

Equal Opportunity and Anti-Discrimination in Hong Kong

In Hong Kong, we believe cultural and individual diversity fosters innovation and enhances productivity. Thus, we strongly advocate cultural diversity, value and respect individual differences. We aim at creating an inclusive workplace by adopting non-discriminatory hiring and employment practices, with the principle that no one should be treated less favourably because of their personal characteristics, including but not limited to gender, pregnancy, marital status, disability, family status and race. Opportunities for employment, training, and career development are equally opened to all qualified employees, where they are assessed by experienced personnel through objective criteria.

By adopting the above practices, we comply with, in all material respects, the following ordinances and the relevant codes of practice issued by the Equal Opportunities Commission of Hong Kong: Sex Discrimination Ordinance (Cap. 480), Disability Discrimination Ordinance (Cap. 487), Family Status Discrimination Ordinance (Cap. 527), and Race Discrimination Ordinance (Cap. 602). During the Reporting Period, we were not aware of any non-compliance regarding the compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

None of the Group or its employees were involved in any corruption litigation cases for the Reporting Period.

Whistleblowing

The Group is committed to maintaining sound corporate governance. We maintain smooth whistle-blowing channels including telephone hotlines, in-person visits and email reporting to encourage our employees and parties who deal with us (including customers, contractors, suppliers, creditors and debtors) to report any misconducts within the Group. All investigations on non-compliance issues are handled seriously.

Annual Anti-fraud Meeting

The Group hold an anti-fraud meeting annually. At the meeting, the heads of departments report to the management about the status of anti-fraud progress and obtain opinions and instructions from management. The internal audit function prepares an evaluation report about the anti-fraud work progress and investigation results and listen to relevant opinions and instructions from management.

Sustainable Supply Chain Management

All companies in which P.B. Group have a controlling interest, its affiliates and subsidiaries should commit to sustainable purchasing and give preference to sustainable products. The commitment should include identifying, selecting and purchasing products (i.e. goods and services) with significantly less adverse environmental and social impacts than alternative competing products.

Th Group's Purchasing Manager will establish administrative procedures relating to this Policy and will be designated the responsible party to communicate and implement the policy and admin procedures, including explaining to all affiliates, subsidiaries and external parties the reason for the implementation.

The following factors should be considered, where appropriate, during procurement:

- minimal use of virgin material in the product;
- replacement of disposables with reusables or recyclables;
- minimal environmental impact from the entire product or service life cycle;
- minimal packaging or elimination of packaging;
- reduced energy/water consumption;
- toxicity reduction or elimination;
- durability and maintenance requirements (avoid single-use disposable items); and
- waste disposal considerations (high recyclability).

Preference should be given to suppliers which have:

- policy stating their sustainability values and commitments;
- sustainability certificates or awards;
- sustainability management systems or quality management systems that incorporate environmental and social considerations; and
- full compliance with the Supplier Code of Conduct and all applicable environmental and social regulations and legislation.

As a Group we strive to be good stewards of the natural resources and biodiversity under our influence. We prefer to work with suppliers and contractors including financial institutions, consultants and professional advisors who promote sustainable development through their own business activities. When procuring products and services, due consideration shall be taken into account to optimise the benefits in terms of the environment, social impact and cost, both from the point of view of the general public good and from enlightened self-interest.

Sustainable procurement helps achieving actual environmental and social benefits, promoting public awareness on sustainability issues and encourages manufacturers to introduce environmentally and socially responsible products.

By the end of Reporting Period, we have 50 key suppliers in our business of bentonite mining and all of them are in the PRC. All of these key suppliers are subject to our policy of supplier management stated above.

COMMUNITY INVESTMENT

Community Participation

Initiatives and efforts of social service organisations should be recognised and supported. The Group will also explore possibilities to cooperate with different organisations that share the same values and principles with the Group. The Group strives to raise employees' awareness in terms of social involvement and civic consciousness. Employees are also encouraged to participate in community enhancement events such as volunteering and fundraising activities. The Group continuously promotes charitable community business according to the Charity Law of the PRC.

Community Charitable Donation

For the year under review, the Group mainly focused on education concerns and community support in its community engagement. The Group proactively participates in community service work. The resources contributed to education concerns was CNY20,000 and to community support was CNY20,000 respectively. To enhance community participation, evaluation from local citizen is the one of the important factors to determine the success of our reclamation plan. In order to timely adjust and revise our reclamation plan, we regularly invited stakeholders and public to hold a communication.

HKEX ESG REPORTING GUIDE CONTENT INDEX

A. Environmental	Description	Reference Section
Aspect: A1: Emissions	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environment Environmental Management System Compliance of Laws and Regulations Relating to Environment
KPI A1.1	The types of emissions and respective emissions data.	Air Emission Analysis
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Greenhouse Gas ("GHG") Emission Analysis
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Hazardous waste
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Non-hazardous waste
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Emission Targets
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Hazardous waste Non-hazardous waste

A. Environmental	Description	Reference Section
Aspect A2: Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.	Efficient Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Analysis of Resources Usage
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Water
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Efficient Use of Resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Water
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Packaging Materials
Aspect A3: The Environment and Natural Resources	General Disclosure Policies on minimising the issuer's significant impact on the environment and natural resources.	Environmental Protection Plan
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Reclamation Plan
Aspect A4: Climate Change	General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change Risk
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change Risk

B. Social	Description	Reference Section
Aspect B1: Employment	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employees
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Employment Profile
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment Profile
Aspect B2: Health and Safety	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Production Safety Safety Training Safety Check System Safety Incident Emergency Management
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Production Safety
KPI B2.2	Lost days due to work injury.	N/A
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Production Safety Safety Training Safety Check System

Environmental, Social and Governance Report

B. Social	Description	Reference Section
Aspect B3: Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Comprehensive Incentive System Training and Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Training and Development
KPI B3.2	The average training hours completed per employee by gender and employee category.	Training and Development
Aspect B4: Labour Standards	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Prohibiting Child and Forced Labour Compliance to Protect the Interests of Employees
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Prohibiting Child and Forced Labour
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Prohibiting Child and Forced Labour
Aspect B5: Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.	Sustainable Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Sustainable Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Sustainable Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Sustainable Supply Chain Management

B. Social	Description	Reference Section
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Sustainable Supply Chain Management
Aspect B6: Product Responsibility	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Customer Data Privacy Policy Protection of intellectual property rights Product Quality Control
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Recall Procedures
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Recall Procedures
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Protection of intellectual property rights Intellectual property management system
KPI B6.4	Description of quality assurance process and recall procedures.	Recall Procedures
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Data Privacy Policy

B. Social	Description	Reference Section
Aspect B7: Anti-corruption	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Code of Conduct and Guidelines
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Whistleblowing Annual Anti-fraud Meeting
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption
Aspect B8: Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Charitable Donation
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Charitable Donation

Independent Auditor's Report

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

TO THE SHAREHOLDERS OF P.B. GROUP LIMITED（倍搏集團有限公司）
(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of P.B. Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 99 to 159, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standard Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the 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 judgment, were of most significance in our audit of the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of property, plant and equipment, right-of-use assets and intangible assets

Referring to Note 4(k) and Notes 18, 19 and 20 to the consolidated financial statements and accounting policies on Note 5(d).

As at 31 December 2021, the Group had property, plant and equipment, right-of-use assets and intangible assets which amounted to CNY14,855,000, CNY2,354,000 and CNY5,106,000 respectively, which were allocated to the cash generating units of mining operation and financial service business. The impairment assessment of property, plant and equipment, right-of-use assets and intangible assets is a key audit matter due to its significance and judgment involved.

How our audit addressed the key audit matter:

Our audit procedures in relation to the directors' impairment assessment included:

– assessing the reasonableness of discount rate applied in determining the recoverable amount;

– challenging the reasonableness of other key assumptions based on our knowledge of the business and industry; and

– checking input data to supporting evidence, such as management's cash flow forecasts and considering the reasonableness of these cash flow forecasts.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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.

DIRECTOR'S RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are 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 the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated 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. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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 consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated 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.

- 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.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- conclude on the appropriateness of the directors' 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 consolidated 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.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- 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.

Independent Auditor's Report

We communicate with the Audit Committee 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 Audit Committee 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated 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.

BDO Limited
Certified Public Accountants

Lam Tsz Ka
Practising Certificate Number P06838

Hong Kong, 25 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Notes	**2021** **CNY'000**	2020 CNY'000
Revenue	8	**70,898**	55,727
Cost of sales		**(37,157)**	(26,362)
Gross profit		**33,741**	29,365
Other income, other net gains and losses	10	**9,205**	4,092
Selling and distribution expenses		**(6,311)**	(7,041)
Administrative and other expenses		**(25,036)**	(16,737)
Finance costs	11	**(523)**	(502)
Profit before tax	12	**11,076**	9,177
Income tax expenses	13	**(1,959)**	(1,974)
Profit for the year		**9,117**	7,203
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		**(464)**	282
Total comprehensive income for the year		**8,653**	7,485
Profit for the year attributable to owners of the Company		**9,117**	7,203
Total comprehensive income for the year attributable to owners of the Company		**8,653**	7,485
			(re-presented)
Earnings per share:			
Basic (CNY)	17	**9.85 cents**	9.57 cents
Diluted (CNY)	17	**9.85 cents**	9.57 cents

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	2021 CNY'000	2020 CNY'000
Non-current assets			
Property, plant and equipment	18	**14,855**	15,422
Right-of-use assets	19	**2,354**	3,988
Intangible assets	20	**5,106**	5,251
Deferred tax assets	21	**324**	329
Restricted bank balances	24	**13,821**	10,135
		36,460	35,125
Current assets			
Inventories	22	**4,262**	3,688
Trade, bills and other receivables	23	**51,780**	38,997
Pledged bank deposit	24	**20,000**	20,000
Bank balances and cash	24	**50,624**	31,513
		126,666	94,198
Current liabilities			
Trade and other payables	25	**26,825**	22,397
Lease liabilities	26	**–**	564
Income tax payables		**2,290**	3,159
		29,115	26,120
Net current assets		**97,551**	68,078
Total assets less current liabilities		**134,011**	103,203

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	**2021** CNY'000	2020 CNY'000
Non-current liabilities			
Lease liabilities	26	**–**	1,012
Asset retirement obligations	27	**9,046**	8,582
Deferred tax liabilities	21	**21**	1
Deferred income	28	**195**	290
		9,262	9,885
Net assets		**124,749**	93,318
Capital and reserves			
Share capital	29	**13,261**	6,753
Share premium and reserves		**111,488**	86,565
Total equity		**124,749**	93,318

On behalf of the board of directors

CHAN Man Fung
Director

PUI Wai Lun
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Share capital CNY'000	Share premium CNY'000	Other reserve CNY'000 (Note (i))	Statutory reserve CNY'000 (Note (ii))	Safety fund and production maintenance fund CNY'000 (Note (iii))	Foreign currency translation reserve CNY'000	Accumulated losses CNY'000	Total CNY'000
At 1 January 2020	5,688	126,103	23,351	5,192	1,338	–	(81,505)	80,167
Profit for the year	–	–	–	–	–	–	7,203	7,203
Exchange difference arising on translation of financial statement of foreign operation	–	–	–	–	–	282	–	282
Other comprehensive income for the year	–	–	–	–	–	282	–	282
Total comprehensive income for the year	–	–	–	–	–	282	7,203	7,485
Appropriation to statutory reserve	–	–	–	1,198	–	–	(1,198)	–
Appropriation and utilisation of safety fund and production maintenance fund, net	–	–	–	–	214	–	(214)	–
Share issued for acquisition of subsidiaries	1,065	4,601	–	–	–	–	–	5,666
At 31 December 2020 and 1 January 2021	6,753	130,704	23,351	6,390	1,552	282	(75,714)	93,318
Profit for the year	–	–	–	–	–	–	9,117	9,117
Exchange difference arising on translation of financial statement of foreign operation	–	–	–	–	–	(464)	–	(464)
Other comprehensive income for the year	–	–	–	–	–	(464)	–	(464)
Total comprehensive income for the year	–	–	–	–	–	(464)	9,117	8,653
Appropriation to statutory reserve	–	–	–	1,219	–	–	(1,219)	–
Appropriation and utilisation of safety fund and production maintenance fund, net	–	–	–	–	142	–	(142)	–
Issue of shares upon right issue	6,508	16,270	–	–	–	–	–	22,778
At 31 December 2021	13,261	146,974	23,351	7,609	1,694	(182)	(67,958)	124,749

Notes:

(i) Other reserve

It represented (a) the capital contribution from the previous controlling shareholder, Mr, Li Feilie ("Mr. Li") 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 year 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 Co., Ltd.*（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 funds which is based on the production volume annually for the utilisation of future safety production expense.

* For identification purpose only

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 CNY'000	2020 CNY'000
Cash flows from operating activities		
Profit before tax	**11,076**	9,177
Adjustments for:		
Depreciation of property, plant and equipment	**1,832**	1,977
Depreciation of right-of-use assets	**317**	479
Amortisation of intangible assets	**131**	121
Government grants	**(992)**	(1,348)
Loss on disposal/write off of property, plant and equipment	**178**	180
Gain on bargain purchase from acquisition of subsidiaries	**–**	(2,000)
Gain on written off right-of-use assets	**33**	–
Finance costs	**523**	502
Bank interest income	**(1,253)**	(700)
Release of government grant for property, plant and equipment	**(95)**	(95)
Net expected credit loss recognised for trade and other receivables	**742**	231
Operating profit before working capital changes	**12,492**	8,524
Increase in inventories	**(574)**	(530)
Increase in trade, bills and other receivables	**(13,055)**	(15,154)
Increase/(decrease) in trade and other payables	**4,075**	(506)
Cash generated from/(used in) operations	**2,938**	(7,666)
Income tax expenses paid	**(2,973)**	(1,161)
Net cash used in operating activities	**(35)**	(8,827)

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021 CNY'000	2020 CNY'000
Cash flows from investing activities			
(Increase)/decrease in bank deposits with a maturity of more than three months		**(12)**	114
Acquisition of subsidiaries, net of cash acquired		**–**	818
Placement of restricted bank balances		**(3,686)**	(200)
Payment for purchases of property, plant and equipment		**(1,537)**	(1,609)
Proceeds from disposal of property, plant and equipment		**63**	–
Bank interest income received		**1,253**	700
Net cash used in investing activities		**(3,919)**	(177)
Cash flows from financing activities			
Government grant received		**992**	1,348
Payment of principal portion of lease liabilities		**(284)**	(394)
Interest paid		**(59)**	(63)
Proceeds from rights issue		**23,628**	–
Right issue expenses		**(850)**	–
Net cash generated from financing activities		**23,427**	891
Net increase/(decrease) in cash and cash equivalents		**19,473**	(8,113)
Cash and cash equivalents at the beginning of year		**30,883**	38,414
Effect of exchange rate changes on cash and cash equivalents		**(374)**	582
Cash and cash equivalents at the end of year	24	**49,982**	30,883

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

1. GENERAL INFORMATION

P.B. Group Limited 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 of Hong Kong Limited (the "Stock Exchange") on 29 December 2015. Its ultimate controlling shareholder is Chan Man Fung, who held approximately 29.63 % interests of the Company, 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, 4th Floor, 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 the bentonite mining, production and sales of drilling mud and pelletising clay and financial service business.

2. ADOPTION OF NEW/REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

(a) Adoption of new or amended IFRSs

The Group has applied the following standards and amendment for the first time for their annual reporting period commencing on 1 January 2021:

Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendment to IFRS 16	Covid-19-related rent concessions beyond 30 June 2021

None of these new or amended IFRSs has a material impact on the Group's results and consolidated financial position for the current or prior period. The Group has not early applied any new or amended IFRSs that is not yet effective for the current accounting period.

2. ADOPTION OF NEW/REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

(b) New and amendments to IFRSs in issue but not yet effective

IFRS 17	Insurance Contracts[2]
Amendments to IFRS 3	Reference to the Conceptual Framework[1]
Amendments to IAS 16	Proceeds before Intended Use[1]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual Improvements to IFRSs 2018-2020[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current, and Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[2]
Amendments to IAS 8	Definition of Accounting Estimates[2]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2022.

2 Effective for annual periods beginning on or after 1 January 2023.

3 Effective for annual periods beginning on or after a date to be determined.

The directors of the Company consider that the application of all new and amendments to IFRSs and IASs is unlikely to have a material impact on the Group's consolidated financial position and performance as well as disclosure in foreseeable future.

The Group has not applied any amendment, new standard or interpretation that is not yet effective for the current accounting year.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs and the provision of Hong Kong Companies Ordinance which concern the preparation of financial statements. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited ("the "Listing Rules").

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currencies

The consolidated financial statements of the Group are presented in Chinese Yuan ("CNY"), which is the 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). All values are rounded to the nearest thousand except when otherwise indicated.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree, if any, is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by IFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

When the Group loses control of a subsidiary, the gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee; exposure, or rights, to variable returns from the investee; and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment, except for dismantlement asset, are depreciated so as to write off their costs net of expected residual values over their estimated useful lives on a straight-line basis. The useful lives, residual values and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The estimated useful lives are as follows:

Buildings	20 years
Leasehold improvement	5 years
Machinery and equipment and furniture and fixtures	5 to 10 years
Motor vehicles	5 years

Dismantlement asset (included restoration costs for the closure of mining site) are depreciated using the Unit-of-Production ("UOP") method to write-off cost of the assets proportionately to the extraction of the proven and probable mineral reserves.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount if any indication of impairment is identified.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net disposal proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Leasing

All leases are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases; and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset is recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of an investment property, they are carried at fair value and for right-of-use asset that meets the definition of a leasehold land and buildings held for own use, they are carried at fair value.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g. a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Leasing *(Continued)*

Lease liability *(Continued)*

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease, in all other cases, where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount. If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date and the right-of-use asset is adjusted by the same amount.

(e) Intangible assets (other than goodwill)

Intangible assets acquired separately and in a business combination

Mining right with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on an units-of-production basis over the total proved and probable reserves. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Except for mining right, amortisation is provided on a straight-line basis over their estimated useful lives. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in administrative and other expenses. The estimated useful lives are as follows:

Insurance brokerage license	Indefinite

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Intangible assets (other than goodwill) *(Continued)*

Impairment

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see Note 4(k)).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

(f) Financial Instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments.

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial Instruments *(Continued)*

(i) Financial assets (Continued)

Debt instruments (Continued)

Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

FVTPL: FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on trade and other receivables, contract assets, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial Instruments *(Continued)*

(ii) Impairment loss on financial assets (Continued)

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other receivables, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

The Group considers a financial asset to be credit-impaired when:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial Instruments *(Continued)*

(ii) Impairment loss on financial assets (Continued)

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in equity.

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over certain years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at FVTPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial Instruments *(Continued)*

(iii) ***Financial liabilities*** *(Continued)*

Financial liabilities at FVTPL (Continued)

Financial liabilities may be designated upon initial recognition as at FVTPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including other payables and lease liabilities are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) ***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) ***Equity instruments***

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial Instruments *(Continued)*

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with the accounting policy set out in note 4(f)(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of IFRS 15.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the period.

(g) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception.

Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method.

For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(i) Sale of bentonite products

The performance obligation is satisfied upon delivery of the drilling mud and pelletising clay and payment is generally due within 5 to 90 days from delivery.

(ii) Wealth management service income

The performance obligation related to the insurance and MPF scheme brokerage service income in Hong Kong is satisfied at the point in time when the placement is successful. Payment is generally due within 30 days from service is provided, except for new customers, where payment in advance is normally required.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Revenue recognition *(Continued)*

(iii) Loan interest income

The performance obligation is satisfied over time as services are rendered and payment is generally due upon completion of loan arrangement and customer acceptance.

(vi) Guarantee service fee income

The performance obligation is satisfied over time as services are rendered and payment is generally due upon completion guarantee service.

(v) Interest income

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

Contract assets and liabilities

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

(i) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except initial recognition of assets and liabilities that are not part of the business combination which affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised, provided that the deductible temporary differences are not arises from initial recognition of assets and liabilities in a transaction other than in a business combination that affects neither taxable profit nor the accounting profit. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period, and reflects any uncertainty related to income taxes.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Income taxes *(Continued)*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(j) Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which it/they operate(s) (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- right-of-use assets;
- Intangible assets; and
- investments in subsidiaries in the Company's statement of financial position.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another IFRS, in which case the impairment loss is treated as a revaluation decrease under that IFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another IFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that IFRS.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generated unit ("CGU"), discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

(l) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised in profit or loss when the services are rendered by the employees.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(n) Share-based payment

Where share options are awarded to employees and others providing similar services, the fair value of the services received is measured by reference to the fair value of the options at the date of grant. Such fair value is recognised in profit or loss over the vesting period with a corresponding increase in the share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all non-market vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

(o) Provisions

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Provisions *(Continued)*

Assets retirement obligations

Dismantlement liability is recognised when the Group has a present legal or constructive obligation as a result of the past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related property, plant and equipment. The amount recognised is the estimated cost of dismantlement, discounted to its present value using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Changes in the estimated timing of dismantlement or dismantlement cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. The unwinding of the discount on the dismantlement provision is included as a finance cost.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits and highly liquid investments with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

(q) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Related parties *(Continued)*

(b) *(Continued)*

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note, the directors are required to make judgments, 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.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty

The following are 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.

(i) Useful lives of property, plant and equipment

In applying the accounting policy on property, plant and equipment with respect to depreciation, management estimates the useful lives of various categories of property, plant and equipment according to the industrial experiences over the usage of property, plant and equipment and also by reference to the relevant industrial norm. If the actual useful lives of property, plant and equipment is less than the original estimated useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charge for the remaining period. As at 31 December 2021, the carrying amounts of property, plant and equipment were approximately CNY14,855,000 (2020: CNY15,422,000).

(ii) Units-of-production depreciation for dismantlement asset and amortization for intangible assets

The Group determines the depreciation of dismantlement asset and amortisation of intangible assets by the actual units of production over the estimated reserves of the mines. Further details about the reserve estimates are included below.

(iii) Reserve estimates

Proved and probable bentonite reserve estimates are estimates of the amount of bentonite that can be economically and legally extracted from the Group's mining properties. In determining the estimates, recent production and technical information of each mine will be considered.

Fluctuations in factors including the price of bentonite, production costs and transportation costs of bentonite, a variation on recovery rates or unforeseen geological or geotechnical perils may render it necessary to revise the estimates of bentonite reserves.

Because of the economic assumptions used to estimate reserves changes from period to period, and because of additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the following:

- Asset carrying amount may be affected due to change in estimated future cash flows.
- Depreciation, depletion and amortisation charged to the profit or loss may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(iii) Reserve estimates *(Continued)*

- Asset retirement obligations may change where changes in estimated reserves affect expectations about the timing or cost of these activities.

- The carrying value of deferred tax assets may change due to changes in estimates of the likely recovery of the tax benefits.

As at 31 December 2021, the carrying amounts of dismantlement asset were approximately CNY3,082,000 (2020: CNY3,155,000) while the carrying amounts of intangible assets for mining right were approximately CNY4,681,000 (2020: CNY4,812,000).

(iv) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether non-financial assets suffered any impairment in accordance with accounting policy stated in Note 4(k). The non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The determination of recoverable amount requires an estimation of future cash flows and the selection of appropriate discount rates. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods, where applicable.

(v) Impairment of trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on past experience as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired are assessed for ECL individually.

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 required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(vi) Allowance for inventories

The management of the Group reviews the ageing of the inventories at the end of the reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer saleable in the market. The identification of obsolete inventories requires the use of estimation of the net realisable value of items of inventory and judgements on the conditions and usefulness of items of inventories. Where the expected net realisable value is lower than the cost of certain items, a write-down of inventories may arise. As at 31 December 2021, the carrying amounts of inventories were approximately CNY4,262,000 (2020: CNY3,688,000), no allowance for inventories was recognised for the years ended 31 December 2021 and 2020.

(vii) Asset retirement obligations

The ultimate asset retirement obligations are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change, for example, in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect the future financial results. As at 31 December 2021, the carrying amounts of asset retirement obligations were approximately CNY9,046,000 (2020: CNY8,582,000).

(viii) Income taxes

As at 31 December 2021, the Group has recognised deferred tax assets of approximately CNY324,000 (2020: CNY329,000). The recoverability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors regularly review and manage the Group's capital structure. As part of this review, the directors of the Company consider the cost of capital and risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, issue of new share or repurchase of existing shares or issue of new debts or the repayment of existing debts.

7. FINANCIAL INSTRUMENTS

(a) Summary of financial assets and financial liabilities by category

	Notes	**2021 CNY'000**	2020 CNY'000
Financial assets			
Financial assets at amortised cost			
Trade, bills and other receivables	23	**51,435**	38,742
Restricted bank balances		**13,821**	10,135
Pledged bank deposit		**20,000**	20,000
Bank balances and cash		**50,624**	31,513
		135,880	100,390
Financial liabilities			
Financial liabilities at amortised cost			
Trade and other payables	25	**23,249**	21,928
Lease liabilities		**–**	1,576
		23,249	23,504

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade, bills and other receivables, restricted bank balances, pledged bank deposit, bank balances and cash, trade and other payables and lease liabilities.

Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group operates in the PRC with transactions denominated in CNY. At the end of the financial year, certain trade and other receivables, bank balances and trade and other payables of the Group are denominated in or linked to foreign currencies, details of which are set out in respective notes, expose the Group to foreign currency risk.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

7. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(i) Currency risk (Continued)

The carrying amounts of the Group's monetary assets and liabilities denominated in HK$ at the end of the reporting period are as follows:

	2021 CNY'000	2020 CNY'000
Assets	**54,536**	13,550
Liabilities	**(10,179)**	(12,298)
	44,357	1,252

Sensitivity analysis:

The Group's currency risk is mainly exposed to HK$.

The following table details the Group' sensitivity to a 5% (2020: 5%) increase and decrease in CNY against HK$ for the year ended 31 December 2021. 5% (2020: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2020: 5%) change in foreign currency rates.

A negative (2020: negative) number below indicates an decrease (2020: decrease) in loss after tax (2020: loss after tax) for the year where CNY strengthen 5% (2020: 5%) against HK$. For a 5% (2020: 5%) weakening of CNY against HK$, there would be an equal and opposite impact on the loss after tax (2020: loss after tax) for the year and the balance below would be negative (2020: negative).

	2021 CNY'000	2020 CNY'000
Post-tax profit or loss	**208**	315

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposit. The Group is also exposed to cash flow interest rate risk in relation to the fluctuation of the prevailing market interest rate on restricted bank balances, bank balances and bank deposits. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated. Due to their short-term maturities, the exposure of the interest rate risk is minimal and no sensitivity to interest rate risk is presented.

7. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade, bills and other receivables, restricted bank balances, pledged bank deposit, bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets and financial guarantee contracts, except that the credit risks associated with trade receivables of CNY1,842,000 (2020: CNY289,000) is mitigated because they are secured over properties.

The Group performed impairment assessment for financial assets and financial guarantee contract under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

Trade receivables arising from contracts with customers and bills receivables

The Group offers revolving credit to two customers (2020: two customers). This revolving credit provides for a predetermined credit limit that may be outstanding at any one time based on, among others, their background, credit history, length of business relationship and historical transaction amounts. The Group generally evaluates the credit limits granted to the customers annually upon renewal of the relevant sales agreements and upon special request from the customers.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of IFRS 9 on trade balances and bills receivables individually. The assessed credit losses for trade receivables and bills receivables are insignificant. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Restricted bank balances/Pledged bank deposit/Bank balances

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by authorised credit-rating agencies.

Other receivables and deposits

For other receivables and deposits, the directors of the Company make periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12-month ECL.

7. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Other receivables and deposits *(Continued)*

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch List	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	2021 Gross carrying amount CNY'000	2020 Gross carrying amount CNY'000
Financial assets at amortised cost						
Trade receivables	23	N/A	(Note (i))	Lifetime ECL	**10,471**	7,462
Loan interest receivables	23	N/A	(Note (ii))	Lifetime ECL	**14,495**	5,965
Bills receivables	23	Low risk	N/A	12-month ECL	**15,201**	22,799
Deposits	23	N/A	(Note (ii))	12-month ECL	**345**	209
Other receivables	23	N/A	(Note (ii))	12-month ECL	**10,332**	2,307
Restricted bank balances	24	Low risk	N/A	12-month ECL	**13,821**	10,135
Pledged bank deposit	24	Low risk	N/A	12-month ECL	**20,000**	20,000
Bank balances	24	Low risk	N/A	12-month ECL	**50,624**	31,513

7. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Other receivables and deposits *(Continued)*

Notes:

(i) The Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by individual assessment.

During the year ended 31 December 2021, the amounts of impairment loss of CNY399,000 (2020: CNY178,000) on trade receivables was recognised. No impairment allowance on bills receivables was provided based on the provision matrix assessed individually as the amounts involved were immaterial for the year ended 31 December 2021 and 2020.

(ii) For the purposes of internal credit risk management, the Group uses past due and repayment information to assess whether credit risk has increased significantly since initial recognition. There is no fixed repayment terms for the other receivables as at 31 December 2021 and 2020.

For the year ended 31 December 2021, the Group assessed the ECL for loan interest receivables, other receivables and deposits and recognised the loss allowance of CNY521,000 (2020: CNY53,000).

Financial guarantee contract

For financial guarantee contracts, the maximum amount that the Group has guaranteed under the respective contracts was CNY20,000,000 (2020: CNY20,000,000) as at 31 December 2021. At the end of the reporting period, the directors of the Company have performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for financial guarantee contracts issued by the Group is measured at an amount equal to 12-month ECL. An amount of CNY195,000 (2020: CNY746,000) has been estimated as a loss allowance as at 31 December 2021 in accordance with IFRS 9, however, no loss allowance was recognised in the profit or loss because the premium received less cumulative amount recognised in profit or loss was higher than expected amount of loss allowance. Details of the financial guarantee contracts are set out in Note 32.

The Group's concentration of credit risk by geographical location is in the PRC, which accounted for all of the trade receivables as at 31 December 2021 and 2020.

The Group has concentration of credit risk as 12% (2020: 35%) and 46% (2020: 81%) of the total trade receivables was due from the Group's largest trade receivable and the five largest trade receivables respectively as at 31 December 2021.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date that the Group can be required to pay, are within one year or on demand (2020: within one year or on demand).

7. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements recognised in the consolidated statement of financial position

The directors of the Company considered that the carrying amounts of the non-current financial assets approximate its fair value as the impact of discounting is immaterial.

The directors of the Company considered that the carrying amounts of other current financial assets and financial liabilities recorded at amortised cost approximate their fair values.

8. REVENUE

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

	2021 CNY'000	2020 CNY'000
Types of goods		
Drilling mud	**22,427**	14,281
Pelletising clay	**38,251**	37,936
Types of services		
Financial service business		
– Wealth management service income	**7,353**	2,097
– Loan interest income	**1,726**	263
– Guarantee service fee income	**1,141**	1,150
	70,898	55,727

The disaggregation of the Group's revenue from contracts with customers were as follows:

Timing of revenue recognition		
At a point in time		
– Sales of drilling mud and pelletising clay	**60,678**	52,217
– Wealth management service income	**7,353**	2,097
At over time		
– Loan interest income	**1,726**	263
– Guarantee service fee income	**1,141**	1,150
	70,898	55,727

9. SEGMENT REPORTING

Information reported to the chief operating decision maker (being the directors), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered of the Group. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

For each of the business units, the directors of the Company reviews internal management reports on a monthly basis. Segment information below is presented in a manner consistent with the way in which information is reported internally to the directors of the Company for the purposes of resource allocation and performance assessment.

The Group is organised into business units based on its products and services and has two (2020: two) reportable segments as described below.

The following describes the operations in each of the Group's reportable segments:

Reporting segment	**Nature**	**Place of operation**
Bentonite mining operation	Bentonite mining, production and sales of drilling mud and pelletising clay	The PRC
Financial service business	Provision of wealth management services, money lending services and provision of financial services	Hong Kong ("HK") and the PRC

Revenue from contracts with customer within the scope of IFRS 15:	**2021** **CNY'000**	2020 CNY'000
Bentonite mining operation	**60,678**	52,217
Financial service business	**10,220**	3,510
Total	**70,898**	55,727

Reportable segment revenue, profit, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the directors of the Company monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Segment assets include all tangible assets, intangible assets, restricted bank balances, deferred tax assets and current assets with the exception of other corporate assets managed by head office.

Segment liabilities include trade and other payables, lease liabilities, income tax payables, asset retirement obligations, deferred tax liabilities and deferred income attributable to the activities of the individual segments managed directly by the segments with the exception of other payables managed by head office.

9. SEGMENT REPORTING *(Continued)*

Reportable segment revenue, profit, assets and liabilities *(Continued)*

The reportable segments of the Group as described below represents the Group's strategic business units. The following describes the operations in each of the Group's reportable segments:

For the year ended 31 December 2021

	Bentonite mining operation CNY'000	Financial service business CNY'000	Others CNY'000	Total CNY'000
Revenue from external customers and reportable segment revenue	60,678	10,220	–	70,898
Reportable segment results	(49,615)	(12,984)	–	(62,599)
Bank interest income	1,253	–	–	1,253
Other income, other net gains and losses	806	426	198	1,430
Gain on revenue guarantee	–	–	7,264	7,264
Finance costs	(464)	–	(59)	(523)
Unallocated corporate expenses	–	–	(5,905)	(5,905)
Net recognised impairment loss on trade and other receivables	(326)	(416)	–	(742)
Profit/(loss) before tax	12,332	(2,754)	1,498	11,076
Income tax expenses	(1,959)	–	–	(1,959)
Profit/(loss) for the year	10,373	(2,754)	1,498	9,117
As at 31 December 2021				
Assets				
Reportable segment assets	108,590	21,493	–	130,083
Unallocated corporate assets	–	–	33,043	33,043
Consolidated total assets	108,590	21, 493	33,043	163,126
Liabilities				
Reportable segment liabilities	28,198	1,240	–	29,438
Unallocated corporate liabilities	–	–	8,939	8,939
Consolidated liabilities	28,198	1,240	8,939	38,377
Other segment information				
Addition of property, plant and equipment	1,537	–	–	1,537
Depreciation of property, plant and equipment	1,414	418	–	1,832
Depreciation of right-of-use assets	77	–	240	317
Amortisation of intangible assets	131	–	–	131
Net recognised expected credit loss on trade and other receivables	326	416	–	742

9. SEGMENT REPORTING *(Continued)*

Reportable segment revenue, profit, assets and liabilities *(Continued)*

For the year ended 31 December 2020

	Bentonite mining operation CNY'000	Financial service business CNY'000	Others CNY'000	Total CNY'000
Revenue from external customers and reportable segment revenue	52,217	3,510	–	55,727
Reportable segment results	(41,340)	(1,992)	–	(43,332)
Bank interest income	700	–	–	700
Other income, other net gains and losses	1,246	142	4	1,392
Gain on bargain purchase from acquisition of subsidiaries	–	–	2,000	2,000
Finance costs	(439)	–	(63)	(502)
Unallocated corporate expenses	–	–	(6,577)	(6,577)
Impairment loss on trade and other receivables	–	(231)	–	(231)
Profit/(loss) before tax	12,384	1,429	(4,636)	9,177
Income tax (refund)/expenses	(2,040)	66	–	(1,974)
Profit/(loss) for the year	10,344	1,495	(4,636)	7,203
As at 31 December 2020				
Assets				
Reportable segment assets	115,773	11,491	–	127,264
Unallocated corporate assets	–	–	2,059	2,059
Consolidated total assets	115,773	11,491	2,059	129,323
Liabilities				
Reportable segment liabilities	23,707	3,421	–	27,128
Unallocated corporate liabilities	–	–	8,877	8,877
Consolidated liabilities	23,707	3,421	8,877	36,005
Other segment information				
Addition of property, plant and equipment	830	779	–	1,609
Addition of right-of-use assets	–	–	1,852	1,852
Depreciation of property, plant and equipment	1,867	110	–	1,977
Depreciation of right-of-use assets	78	–	401	479
Amortisation of intangible assets	121	–	–	121
Expected credit loss on trade and other receivables	–	231	–	231

9. SEGMENT REPORTING *(Continued)*

Information about geographical areas

The Group's revenue from sales of drilling mud and pelletising clay are derived from the customers based in the PRC (country of domicile). Financial service business is mainly located in Hong Kong. Locations are determined according to principal place of operating the businesses.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group were as follows:

	2021 CNY'000	2020 CNY'000
Customer A	**10,891**	15,324
Customer B	**10,282**	9,973
Customer C	**8,298**	7,162
Customer D	**7,225**	6,293

Information about major products

The following is an analysis of the Group's revenue from sales of its major products to external customers:

	2021 CNY'000	2020 CNY'000
Drilling mud	**22,427**	14,281
Pelletising clay	**38,251**	37,936
	60,678	52,217

10. OTHER INCOME, OTHER NET GAINS AND LOSSES

	2021 CNY'000	2020 CNY'000
Other income		
Bank interest income	**1,253**	700
Government grants (Note (i))	**992**	1,348
Release of government grant for property, plant and equipment (Note 28)	**95**	95
Sundry income	**360**	87
Exchange gain	**68**	–
Others	**60**	42
Gain on bargain purchase from acquisition of subsidiaries	**–**	2,000
Gain on written off right-of-use assets	**33**	–
Gain on revenue guarantee	**7,264**	–
	10,125	4,272
Other net gains and losses		
Loss on disposal/written off of property, plant and equipment	**(178)**	(180)
Net recognised expected credit loss on trade and other receivables	**(742)**	–
	9,205	4,092

Note:

(i) Government grants of CNY925,000 (2020: CNY1,294,000) received from PRC government authority were related to product innovation contributed by the Group to the industry, employment stabilisation fund, economic development subsidies and Hi-tech enterprise subsidies. The government grants were recognised as other income for the year as the Group fulfilled the relevant granting criteria. There was no unfulfilled conditions or contingencies relating to these government grants.

In 2021, included in profit or loss is CNY67,000 of the government grants obtained from Financial Industry Recruitment Scheme for Tomorrow ("FIRST") under the Anti-epidemic Fund launched by the Hong Kong Financial Services Development Council supporting the creation of full-time jobs in the financial services sector. Under FIRST, the Group had to make new full-time employment in the financial services sector and the employee head count must represent a net increase in the eligible employer's number of employees in Hong Kong as compared to that before the official launch of FIRST. The subsidy is up to HK$10,000 per month for each eligible new hire for 12 months.

In 2020, included in profit or loss is CNY54,000 of government grants obtained from Employment Support Scheme ("ESS") under the Anti-epidemic Fund launched by the Hong Kong SAR Government supporting the payroll of the Group's employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and not reduce employee head count below prescribed levels for a specified period. The Group does not have other unfulfilled obligations relating to this program.

11. FINANCE COSTS

	2021 CNY'000	2020 CNY'000
Interest expense on lease liability	**59**	63
Unwinding of discount on provision for dismantlement (Note 27)	**464**	439
	523	502

12. PROFIT BEFORE TAX

	2021 CNY'000	2020 CNY'000
Profit before tax is arrived at after charging/(crediting):		
Directors' and chief executive's emoluments	**1,723**	648
Salaries, wages, allowances and other benefits	**14,065**	9,962
Contributions to retirement benefits scheme (excluding directors' and chief executive's emoluments)	**889**	723
Total staff costs	**16,677**	11,333
Auditor's remuneration	**757**	790
Amortisation of intangible assets	**131**	121
Amount of inventories recognised as an expense	**28,612**	23,184
Exchange (gain)/loss, net	**(68)**	208
Depreciation of property, plant and equipment	**1,832**	1,977
Depreciation of right-of-use assets	**317**	479
Loss on disposal/write off of property, plant and equipment	**178**	180
Research and development cost (Note (i))	**2,867**	2,611
Net expected credit loss recognised for trade and other receivables	**742**	231
Expenses related to short-term leases – office premise and plant and equipment	**4,703**	2,691

Note:

(i) Staff cost of approximately CNY1,109,000 (2020: CNY856,000) are included in the research and development cost for the year ended 31 December 2021.

13. INCOME TAX EXPENSES

	2021 CNY'000	2020 CNY'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	**2,117**	2,262
Over-provision in previous year	**(184)**	(442)
	1,933	1,820
Deferred tax:		
Current year	**26**	154
	1,959	1,974

Notes:

(i) 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.

(ii) No provision for Hong Kong Profits Tax has been made for both years as the Group did not have any assessable profits subject to Hong Kong Profits Tax.

(iii) Under the Law of the PRC on EIT (the "EIT Law") and implementation regulation of the EIT Law, the tax rate of the subsidiaries established in the PRC other than Feishang Material is 25% for both fiscal years.

(iv) Feishang Material was recognised as a High Technology Enterprise and subject to EIT Law at 15% for both fiscal years.

(v) As at 31 December 2021, the aggregate amount of temporary differences associated with the PRC subsidiary's undistributed retained earnings for which deferred tax liabilities have not been recognised were approximately CNY11,000,000 (2020: CNY6,000,000). No deferred tax liabilities have been recognised in respect of these temporary differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such temporary differences will not be reversed in the foreseeable future.

The income tax expenses for the year can be reconciled to the profit before tax in the consolidated statement of profit or loss and other comprehensive income as follows:

	2021 CNY'000	2020 CNY'000
Profit before tax	**11,076**	9,177
Tax at the tax rate of 25%	**2,769**	2,294
Preferential income tax rates applicable to subsidiary	**234**	(8)
Tax effect of expenses not deductible for tax purpose	**2,085**	1,767
Tax effect of income not taxable for tax purpose	**(3,409)**	(1,458)
Tax effect of tax losses not recognised	**490**	154
Utilisation of tax losses previously not recognised	**–**	(179)
Tax effect of deductible temporary differences	**(26)**	(154)
Over-provision in previous year	**(184)**	(442)
Income tax expenses	**1,959**	1,974

Details of the deferred tax was set out in Note 21.

14. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

Directors' and the chief executives' emoluments were disclosed as follows:

	Fees CNY'000	Salaries and other benefits CNY'000	Contributions to retirement benefits schemes CNY'000	Total CNY'000
Year ended 31 December 2021				
Executive directors				
Mr. Chan Man Fung (Note (i))	**–**	**–**	**–**	**–**
Mr. Pang Ho Yin	**100**	**1,209**	**15**	**1,324**
Mr. Pui Wai Lun (Note (i))	**–**	**–**	**–**	**–**
Mr. Su Chun Xiang	**100**	**–**	**–**	**100**
Independent non-executive Directors				
Mr. Chow Chi Hang, Tony	**100**	**–**	**–**	**100**
Mr. Yip Chong Ho Eric (Note (ii))	**68**	**–**	**–**	**68**
Mr. Zhang Kun (Note (iii))	**100**	**–**	**–**	**100**
Mr. Lee Ming Tung (Note (iv))	**31**	**–**	**–**	**31**
Ms. Shao Yu (Note (v))	**–**	**–**	**–**	**–**
Total	**499**	**1,209**	**15**	**1,723**

	Fees CNY'000	Salaries and other benefits CNY'000	Contributions to retirement benefits schemes CNY'000	Total CNY'000
Year ended 31 December 2020				
Executive directors				
Mr. Chan Man Fung (Note (i))	–	–	–	–
Mr. Pang Ho Yin	107	112	2	221
Mr. Pui Wai Lun (Note (i))	–	–	–	–
Mr. Su Chun Xiang	107	–	–	107
Independent non-executive Directors				
Mr. Chow Chi Hang, Tony	107	–	–	107
Mr. Lee Ming Tung (Note (iv))	107	–	–	107
Ms. Shao Yu (Note (v))	29	–	–	29
Mr. Zhang Kun (Note (iii))	77	–	–	77
Total	534	112	2	648

14. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS *(Continued)*

Notes:

(i) Appointed on 1 December 2020

(ii) Appointed on 23 April 2021

(iii) Appointed on 20 April 2020

(iv) Resigned on 23 April 2021

(v) Resigned on 8 April 2020

(vi) The remuneration represents remuneration received from the Group by the respective directors in their capacity as an employee of the subsidiaries.

There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 December 2021 and 2020.

No emoluments were paid by the Group as an incentive payment for joining the Group or as compensation for loss of office tax the years ended 31 December 2021 and 2020.

15. EMPLOYEES' EMOLUMENTS

Five highest paid employees

Of the five individuals with the highest emoluments in the Group, one was director (2020: Nil) of the Company whose emoluments are set out in Note 14 above. The emoluments of five (2020: five) highest paid individuals for the years ended 31 December 2021 and 2020 were as follows:

	2021 CNY'000	2020 CNY'000
Salaries, allowances and other benefits	**2,669**	526
Contributions to retirement benefits schemes	**66**	31
	2,735	557

	2021 Number of individuals	2020 Number of individuals
Nil to HK$1,000,000	**4**	5
HK$1,000,000 to HK$1,500,000	**1**	–
	5	5

There was no arrangement to the five highest paid individuals for waiving or agreed to waive any remuneration for the years ended 31 December 2021 and 2020.

No emoluments were paid by the Group to the five highest paid individuals as an incentive payment for joining the Group or as compensation for loss of office for the years ended 31 December 2021 and 2020.

16. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2021, nor has any dividend been proposed since the end of the reporting period (2020: nil).

17. EARNINGS PER SHARE

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

	2021	2020
	CNY'000	CNY'000
Earnings		
Profit for the purpose of basic and diluted earnings per share	**9,117**	7,203

	2021	2020
		(re-presented)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ('000 share)	**92,536**	75,245
Basic and diluted earnings per share (CNY)	**9.85 cents**	9.57 cents

The diluted earnings per share is same as basic earnings per share for the years ended 31 December 2021 and 2020 as there were no potential ordinary shares in issue for the year.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings CNY'000	Leasehold improvement CNY'000	Machinery and equipment and furniture and fixtures CNY'000	Dismantlement asset CNY'000	Motor vehicles CNY'000	Total CNY'000
Cost						
As at 1 January 2020	13,017	–	12,955	3,706	931	30,609
Additions	289	694	626	–	–	1,609
Disposals/written off	(445)	–	(470)	–	–	(915)
Acquired through business combinations	–	647	417	–	531	1,595
Exchange adjustments	–	(45)	(9)	–	(6)	(60)
As at 31 December 2020 and 1 January 2021	12,861	1,296	13,519	3,706	1,456	32,838
Additions	295	–	1,242	–	–	1,537
Disposals/written off	(300)	–	(700)	–	(158)	(1,158)
Exchange adjustments	–	(42)	(16)	–	(17)	(75)
As at 31 December 2021	12,856	1,254	14,045	3,706	1,281	33,142
Accumulated depreciation and impairment						
As at 1 January 2020	5,815	–	8,396	483	445	15,139
Charge for the year	887	78	775	68	169	1,977
Eliminated on disposals/written off	(302)	–	(433)	–	–	(735)
Acquired through business combinations	–	500	176	–	371	1,047
Exchange adjustments	–	(6)	(2)	–	(4)	(12)
As at 31 December 2020 and 1 January 2021	6,400	572	8,912	551	981	17,416
Charge for the year	570	218	759	73	212	1,832
Eliminated on disposals/written off	(143)	–	(631)	–	(143)	(917)
Exchange adjustments	–	(23)	(7)	–	(14)	(44)
As at 31 December 2021	6,827	767	9,033	624	1,036	18,287
Net book value						
As at 31 December 2021	6,029	487	5,012	3,082	245	14,855
As at 31 December 2020	6,461	724	4,607	3,155	475	15,422

19. RIGHT-OF-USE ASSETS

	Land use rights CNY'000 (Note (i))	Office premises CNY'000 (Note (ii))	Total CNY'000
Cost			
As at 1 January 2020	2,586	523	3,109
Addition	–	1,852	1,852
Written off	–	(531)	(531)
Exchange adjustments	–	(93)	(93)
As at 31 December 2020 and 1 January 2021	2,586	1,751	4,337
Written off	–	(1,728)	(1,728)
Exchange adjustments	–	(23)	(23)
As at 31 December 2021	2,586	–	2,586
Accumulated depreciation			
As at 1 January 2020	77	331	408
Charge for the year	78	401	479
Written off	–	(531)	(531)
Exchange adjustments	–	(7)	(7)
As at 31 December 2020 and 1 January 2021	155	194	349
Charge for the year	77	240	317
Written off	–	(432)	(432)
Exchange adjustments	–	(2)	(2)
As at 31 December 2021	232	–	232
Net book value			
As at 31 December 2021	2,354	–	2,354
As at 31 December 2020	2,431	1,557	3,988

Notes:

(i) Land use rights represents lump sum considerations paid or payable by the Group to acquire leasehold lands located in the PRC. These leasehold lands are with lease periods of 37 years and there are no ongoing payments to be made under the terms of the land leases.

(ii) For both years, the Group leases an office for its operations. Lease contracts are entered into for fixed term of 3 years (2020: 3 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. In May 2021, the Group terminated the contract and signed a new agreement for fixed term of 1 year. Since the rental period is within 12 months and the agreement is short term lease without applying IFRS 16.

20. INTANGIBLE ASSETS

	Mining right CNY'000 (Note (i))	Insurance brokerage license CNY'000 (Note (ii))	Total CNY'000
Cost			
As at 1 January 2020	5,666	–	5,666
Acquired through business combinations	–	443	443
Exchange adjustments	–	(4)	(4)
As at 31 December 2020 and 1 January 2021	5,666	439	6,105
Exchange adjustments	–	(14)	(14)
As at 31 December 2021	5,666	425	6,091
Accumulated amortisation			
As at 1 January 2020	733	–	733
Charge for the year	121	–	121
As at 31 December 2020 and 1 January 2021	854	–	854
Charge for the year	131	–	131
As at 31 December 2021	985	–	985
Net book value			
As at 31 December 2021	4,681	425	5,106
As at 31 December 2020	4,812	439	5,251

Notes:

(i) The mining right represents a mining license acquired for exploration and mining of a bentonite mine in the PRC. The mining right is amortised on a units-of-production basis over the total proved and probable reserves in the mine.

(ii) The acquisition of P.B. Group on 5 November 2020 which resulted in an increase in other intangible assets for insurance brokerage license. The license has a legal life of 3 years but is renewable every 3 years at minimal cost. The directors of the Company are of the opinion that the Group would renew the license continuously and has the ability to do so.

The license is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The license will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

21. DEFERRED TAXATION

	2021 CNY'000	2020 CNY'000
Deferred tax assets	**324**	329
Deferred tax liabilities	**(21)**	(1)

Details of the deferred tax assets and (liabilities) recognised and movements during the current and prior years:

	Temporary difference on allowance, accrued liabilities and deferred income CNY'000	Temporary difference on asset retirement obligations CNY'000	Accelerated tax depreciation CNY'000	Total CNY'000
As at 1 January 2020	(100)	1,222	(980)	142
Acquired through business combination	–	–	31	31
Credit profit or loss (Note 13)	15	66	73	154
Exchange adjustments	–	–	1	1
As at 31 December 2020 and 1 January 2021	(85)	1,288	(875)	328
Credit profit or loss (Note 13)	(87)	70	(9)	(26)
Exchange adjustments	–	–	1	1
As at 31 December 2021	(172)	1,358	(883)	303

22. INVENTORIES

	2021 CNY'000	2020 CNY'000
Materials and supplies	**1,340**	1,554
Work-in-progress	**2,470**	1,725
Finished goods	**452**	409
	4,262	3,688

23. TRADE, BILLS AND OTHER RECEIVABLES

	Note	2021 CNY'000	2020 CNY'000
Trade receivables – goods	7a	**9,133**	6,337
Trade receivables – wealth management services	7a	**838**	625
Guarantee service fee receivables	7a	**500**	500
Loan interest receivables	7a	**14,495**	5,965
Less: loss allowances (Note (a))	7a	**(748)**	(178)
		24,218	13,249
Bills receivables	7a	**15,201**	22,799
Deposits	7a	**345**	209
Prepayments		**1,909**	486
Other receivables	7a	**10,332**	2,307
Less: loss allowances (Note (b))	7a	**(225)**	(53)
		51,780	38,997

As at 31 December 2021, trade receivables from contracts with customers amounted to CNY24,218,000 (2020: CNY13,249,000).

The Group offers revolving credit to its two customers amounted approximately CNY900,000 as at 31 December 2021 (2020: CNY900,000). This revolving credit provides for a predetermined credit limit that may be outstanding at any one time based on their background, credit history, length of business relationship and historical transaction amounts. The Group generally evaluates the credit limits granted to the customer annually upon renewal of the relevant sales agreements and upon special request from the customers. The Group held charges on such customers' motor vehicles as collaterals over the balance of approximately CNY900,000 as at 31 December 2021 (2020: CNY900,000). Such collateral is not transferable and rentable and can be realised by the Group at first priority upon the liquidation or deregistration of such customer. For the remaining balances of approximately CNY22,818,000 as at 31 December 2021 (2020: CNY11,849,000), the Group does not hold any collateral over these amounts.

23. TRADE, BILLS AND OTHER RECEIVABLES *(Continued)*

The Group allows credit period ranging from 5 days upon receipt of invoice to three months from the receipt of goods by or invoices to its trade customers. The following is an ageing analysis of trade receivables, net of allowance for impairment of trade receivables, presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period.

	2021 CNY'000	2020 CNY'000
Within 30 days	**22,220**	11,995
31 to 60 days	**1,882**	634
61 to 90 days	**113**	315
Over 91 days	**3**	305
	24,218	13,249

As at 31 December 2021 and 2020, all of the bills receivables were aged within 180 days.

(a) Trade receivables

Movements in the impairment loss on trade receivables:

	2021 CNY'000	2020 CNY'000
As at 1 January	**(178)**	–
Reversal of impairment loss previously recognised	**178**	–
Impairment loss recognised	**(748)**	(178)
As at 31 December	**(748)**	(178)

(b) Other receivables

Movements in the impairment loss on other receivables:

	2021 CNY'000	2020 CNY'000
As at 1 January	**(53)**	–
Impairment loss recognised	**(172)**	(53)
As at 31 December	**(225)**	(53)

24. RESTRICTED BANK BALANCES, PLEDGED BANK DEPOSIT AND BANK BALANCES AND CASH

Restricted bank balances

Restricted bank balances represent restricted cash set aside by the Group in banks placed for the settlement of asset retirement obligations for future environmental rehabilitation. The restricted bank balances carried at prevailing market rates ranging from 0.01% to 3.24% per annum (2020: 0.10% to 2.18% per annum) during the year ended 31 December 2021.

Pledged bank deposit

Pledged bank deposit represents deposit pledged to bank to secure general banking facilities granted to an independent third party. The board of directors consider that the Group has surplus cash in excess of its working capital needs and the provision of Guarantee in favour of the Borrower will better utilize the Group's surplus cash with reasonable return since 2018. As at 31 December 2021, the bank deposit of CNY20,000,000 (2020: CNY20,000,000) has been pledged to secure bank borrowing of the independent third party. The bank borrowing is payable on demand and classified as current asset. The pledged bank deposit carry interest rates at 1.95% (2020: 1.95%) per annum and will be released upon the expiry of the relevant banking facilities.

Bank balances and cash

Bank balances and cash include the following for the purposes of the consolidated statement of cash flows:

	2021 **CNY'000**	2020 CNY'000
Cash at bank and in hand	**47,202**	28,021
Short-term bank deposits	**3,422**	3,492
Bank balances and cash shown in the consolidated statement of financial position	**50,624**	31,513
Less: Bank deposits with a maturity of more than three months	**(642)**	(630)
Cash and cash equivalents shown in the consolidated statement of cash flow (Note)	**49,982**	30,883

Note:

Bank balances and bank deposits carried at prevailing market rates ranging from 0.10% to 1.89% per annum during the year ended 31 December 2021 (2020: 0.10% to 1.89% per annum).

25. TRADE AND OTHER PAYABLES

	Notes	**2021 CNY'000**	2020 CNY'000
Trade payables (Note (a))	7a	**4,332**	5,066
Other payables and accruals	7a	**18,917**	16,862
Contract liabilities (Note (b))		**3,576**	469
		26,825	22,397

(a) Trade payables

The following is an ageing analysis of trade payable presented based on invoice date at the end of the reporting period.

	2021 CNY'000	2020 CNY'000
Within 30 days	**3,381**	3,674
31 to 60 days	**591**	901
61 to 90 days	**57**	74
91 to 365 days	**299**	289
Over 1 year	**4**	128
	4,332	5,066

The average credit period granted is 30 days.

(b) Contract liabilities

The Group has recognised the following revenue – related to contract liabilities:

	2021 CNY'000	2020 CNY'000
Contract liabilities arising from:		
Sale of goods	**3,576**	469

The deposit of the Group received on sales of drilling mud and pelletising clay remains as a contract liability until the date the goods are delivered to customers.

25. TRADE AND OTHER PAYABLES *(Continued)*

(b) Contract liabilities *(Continued)*

Movements in contract liabilities:

	2021 **CNY'000**	2020 CNY'000
As at 1 January	**469**	1,834
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(469)**	(1,834)
Increase in contract liabilities as a result of receipt in advance of sales of drilling mud and pelletising clay not yet delivered at year end	**3,576**	469
As at 31 December	**3,576**	469

26. LEASE LIABILITIES

(i) The exposure of the Group's lease liabilities was as follows:

	2021 **CNY'000**	2020 CNY'000
Current	**–**	564
Non-current	**–**	1,012
	–	1,576

(ii) Amounts recognised in the consolidated statement of profit or loss relating to leases:

	2021 **CNY'000**	2020 CNY'000
Interest expense (included in finance costs) (Note 11)	**59**	63

The total cash outflow for leases in 2021 was CNY343,000 (2020: CNY457,000).

The Group terminated the lease of an office premise for operation which was started in 2020. A new lease of office premises with lease terms of 12 months was entered after termination of the old lease. The Group also has leases of the machineries that contain lease payments based on the number of units to be manufactured and office premises with lease terms of 12 months. The Group applies the 'short-term lease' recognition exemptions for the leases. The outstanding lease commitments relating to the office premises at approximately of RMB429,000.

Lease obligations of the Company are denominated in Hong Kong dollars.

27. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations primarily relate to the restoration costs for the closure of mining site, which included dismantling mining-related structures and the reclamation of land upon exhaustion of bentonite reserves.

The following is the asset retirement obligations recognised by the Group and movement is set out as below:

	2021	2020
	CNY'000	CNY'000
As at 1 January	**8,582**	8,143
Unwinding of discount (Note 11)	**464**	439
As at 31 December	**9,046**	8,582

The asset retirement obligation is calculated at the net present value of estimated future net cash flows of the restoration costs, amounting to approximately CNY15,305,000 discounted at 5.40% per annum at 31 December 2021 (2020: 5.40% per annum).

28. DEFERRED INCOME ARISING FROM GOVERNMENT GRANTS

	2021	2020
	CNY'000	CNY'000
Analysed as:		
Current liabilities (included in other payables)	**95**	95
Non-current liabilities	**195**	290
	290	385

Note:

During the year ended 31 December 2013, the Group received government grants of CNY800,000, which were designated for the purchase of plant and machinery. Such government grants are presented as deferred income and are released to income over the useful lives of the related plant and machinery. During the year ended 31 December 2021, government grants released to the consolidated statement of profit or loss and other comprehensive income amounted to CNY80,000 (2020: CNY80,000).

During the year ended 31 December 2016, the Group received government grants of CNY300,000, which was designated for buildings improvement work. Such government grants are presented as deferred income and are released to income over the useful lives of building. During the year ended 31 December 2021, government grants released to the consolidated statement of profit or loss and other comprehensive income amounted to CNY15,000 (2020: CNY15,000).

29. SHARE CAPITAL

	Number of ordinary shares		Share capital	
	HK$0.1 each	HK$0.01 each		(Equivalent to)
			HK$'000	CNY'000
Authorised				
As at 1 January 2020, 31 December 2020 and 1 January 2021	–	10,000,000,000	100,000	
Share Consolidation (Note (i))	1,000,000,000	(10,000,000,000)	–	
As at 31 December 2021	1,000,000,000	–	100,000	
Issued and fully paid				
As at 1 January 2020	–	670,572,000	6,706	5,688
Issue of shares for P.B. Group Acquisition	–	125,000,000	1,250	1,065
As at 31 December 2020 and 1 January 2021	–	795,572,000	7,956	6,753
Share Consolidation (Note (i))	79,557,200	(795,572,000)	–	–
Issue of shares upon right issue (Note (ii))	79,557,200	–	7,955	6,508
As at 31 December 2021	159,114,400	–	15,911	13,261

Notes:

(i) On 16 July 2021, the Company completed the consolidation of shares in the issued shares of the Company whereby every ten issued and unissued ordinary shares of HK$0.01 each were consolidated into one consolidated ordinary share of HK$0.10 each (the "Share Consolidation").

(ii) On 3 December 2021, the Company issued 79,557,200 ordinary shares upon completion of the rights issue on the basis of one rights share for one consolidated shares held by shareholders of the Company at a subscription price of HK$0.35 per rights share. The gross proceeds from the rights issue were approximately HK$27,845,000 or CNY23,628,000. The net proceeds after deducting estimated professional fees and related expenses of approximately HK$1,482,000 or CNY1,258,000 were approximately HK$26,363,000 or CNY22,370,000.

30. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

The Company's share option scheme (the "Scheme"), was adopted pursuant to written resolution of the Company passed on 12 December 2015 for the primary purpose of providing incentives to directors of the Company and eligible employees, and will expire on 28 December 2025. Under the Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

30. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Equity-settled share option scheme of the Company *(Continued)*

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

Options granted must be taken up on the date of grant, upon payment of HK$1.00. Options may be exercised at any time from the date of grant of the share option to the tenth anniversary of the date of grant. The exercise price is determined by the board of directors of the Company, and will not be less than the highest of (i) the nominal value of the Company's share; (ii) the closing price of the Company's shares on the date of grant; and (iii) the average closing price of the shares for the five business days immediately preceding the date of grant.

As at 31 December 2021 and 2020, no share options have been granted, exercised, expired, lapsed, cancelled and outstanding.

31. RETIREMENT BENEFITS SCHEME

The Group participates a MPF Scheme for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance, a defined contribution scheme managed by an independent trustee. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at a rate of 5% specified in the rules, but subject to a cap of HK$1,500. The only obligation of the Group with respect of MPF Scheme is to make the required contribution at rate specified under the scheme.

As stipulated by rules and regulations in the PRC, subsidiaries in the PRC are required to contribute to a state-managed retirement plan for all its employees at a certain percentage of the basic salaries of its employees. The state-managed retirement plan is responsible for the entire pension obligations payable to all retired employees. Under the state-managed retirement plan, the Group has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions.

As at 31 December 2021, the Group was not entitled to any forfeited contributions to reduce its future contributions (2020: CNY Nil).

During the year ended 31 December 2021, the total amount contributed by the Group to this scheme and charged to the consolidated statement of profit or loss and other comprehensive income amounted to approximately CNY889,000 (2020: CNY723,000).

32. CONTINGENT LIABILITIES

During the year ended 31 December 2021, Feishang Material entered into the back-to-back Guarantee Agreement, pursuant to which Feishang Material has agreed to provide financial guarantee to the Wuhu Haiyuan Copper Industrial Co., Limited (蕪湖市海源銅業有限責任公司), a company established in the PRC and an independent third party (the "Borrower"), by means of pledging its deposit in the sum of CNY20 million for procuring the Borrower to obtain the loan of CNY19 million provided by the bank. In return, Feishang Material receive a guarantee fee of 6% of the amount of deposit pledged by Feishang Material. The fair value of the financial guarantee issued at initial recognition was immaterial. Details of the loss allowance for financial guarantee contracts are set out in Note 7(b).

33. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group has entered into the following transactions with related parties.

Compensation to key management personnel

The remuneration of directors of the Company and other members of key management during the year was as follows:

	2021 **CNY'000**	2020 CNY'000
Short-term benefits	**1,723**	648
Post-employment benefits	**–**	–
	1,723	648

The remuneration of the directors of the Company and key executives is determined with regards to the performance of individuals.

Related party relationship	Notes	**Type of transaction**	**Transaction amount** **2021** **CNY'000**	 2020 CNY'000
Companies controlled by the common directors	(i)	Rental expenses	**227**	511
Member of key management personnel	(ii)	Accounting fees	**946**	–

Notes:

(i) Rental expenses were paid to P.B. Advisory Limited, a related company indirectly owned as to 50% by Dr. CHAN Man Fung and 50% by Mr. PUI Wai Lun, directors and shareholders of the Company. The terms and conditions associated with the rental and related services were made according to the terms and conditions in the agreements signed between the Group and P.B. Advisory Limited.

(ii) Accounting fees were paid to WM Corporate Advisory Limited, a company directly owned by Mr. Ho Kim Fung which is Chief financial officer of the Group. The terms and conditions associated with the accounting fees were made according to the terms and conditions in the agreements signed between the Group and WM Corporate Advisory Limited.

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities:

	Lease liabilities CNY'000
As at 1 January 2020	205
Changes from financing cash flows:	
Repayment of lease liabilities	(394)
Interest paid	(63)
Total changes from financing cash flows	(457)
Exchange adjustments	(87)
Other changes:	
Interest expenses	63
Addition of lease liabilities	1,852
Total other changes	1,915
As at 31 December 2020 and 1 January 2021	1,576
Changes from financing cash flows:	
Repayment of lease liabilities	(284)
Interest paid	(59)
Total changes from financing cash flows	(343)
Exchange adjustments	(29)
Other changes:	
Interest expenses	59
Effect of lease modification	(1,263)
Total other changes	(1,204)
As at 31 December 2021	–

35. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	Note	2021 CNY'000	2020 CNY'000
Non-current assets			
Investment in a subsidiary		**52,858**	54,858
Right-of-use assets		**–**	1,557
		52,858	56,415
Current assets			
Other receivables and prepayments		**7,427**	439
Amount due from a subsidiary		**19,028**	4,066
Bank balances		**17,433**	106
		43,888	4,611
Current liabilities			
Other payables		**8,872**	7,343
Lease liabilities		**–**	564
		8,872	7,907
Net current assets/(liabilities)		**35,016**	(3,296)
Non-current liabilities			
Lease liabilities		**–**	1,012
NET ASSETS		**87,874**	52,107
Capital and reserves			
Share capital		**13,261**	6,753
Reserves	(a)	**74,613**	45,354
TOTAL EQUITY		**87,874**	52,107

On behalf of the board of directors

CHAN Man Fung *Director*	**PUI Wai Lun** *Director*

35. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

(a) Reserves

	Share premium CNY'000	**Other reserve** CNY'000 (Note)	**Accumulated losses** CNY'000	**Total** CNY'000
As at 1 January 2020	126,103	44,051	(125,111)	45,043
Loss and total comprehensive expense for the year	–	–	(4,290)	(4,290)
Share issued for acquisition of subsidiaries	4,601	–	–	4,601
As at 31 December 2020 and 1 January 2021	130,704	44,051	(129,401)	45,354
Profit and total comprehensive expense for the year	–	–	12,989	12,989
Issue of shares upon right issue	16,270	–	–	16,270
As at 31 December 2021	146,974	44,051	(116,412)	74,613

Note:

Other reserve represents the difference between the nominal value of the shares issued and the net asset value of the subsidiaries of the Company upon the Reorganisation on 17 September 2015.

36. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries as at 31 December 2021 and 2020 were as follows:

Name of subsidiary	Place and date of incorporation and type of legal entity	Issued and fully paid ordinary share capital/ registered capital	Percentage of equity interest and voting power attributable to the Company Direct		Indirect		Principal activities
			2021	2020	**2021**	2020	
Feishang International Holdings Limited	Incorporated in the BVI on 5 February 2002 as a limited liability company	United States Dollar 1	**100%**	100%	**–**	–	Investment holding
P.B. Two Capital Holdings Limited (formerly known as Hangkan One Holdings Limited)	Incorporated in the BVI on 12 June 2018 as a limited liability company	United States Dollar 1	**100%**	100%	**–**	–	Investment holding.
Wuhu Feishang Non-metallic Material Co., Ltd* (蕪湖飛尚非金屬材料有限公司)	Incorporated in the PRC on 21 June 2002 as a limited liability company	HK$35,000,000	**–**	–	**100%**	100%	Bentonite mining, production and sales of drilling mud and pelletising clay
P.B. TWO (Hong Kong) Limited (formerly known as HangKan ONE (Hong Kong) Limited	Incorporated in Hong Kong on 23 May 2018 as a limited company	HK$1	**–**	–	**100%**	100%	Inactive
P.B. One Capital Holdings Limited	Incorporated in the Cayman Islands on 14 September 2015 as a limited liability	United States Dollar 0.01	**100%**	100%	**–**	–	Investment holding
P.B. Nikyo Wealth Management Limited (formerly known as Nikyo Insurance Brokers Limited)	Incorporated in Hong Kong on 9 February 1995 as a limited liability	HK$8,800,088.30	**–**	–	**100%**	100%	Provide insurance brokerage services
P.B. Credit Limited (formerly known as P.B. Investment Limited)	Incorporated in Hong Kong on 9 October 2015 as a limited liability	HK$6,619,630.83	**–**	–	**100%**	100%	Provision of personal and corporate loans
P.B. Charity Fund Limited	Incorporated in Hong Kong on 21 December 2017 as a limited by guarantee without a share capital	Nil	**–**	–	**100%**	100%	Charitable institution

None of the subsidiaries has issued any debt securities at the end of both years or at any time during both years.

* The English name is for identification purpose only.

37. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 25 March 2022.

Financial Summary

	For the year ended 31 December				
	2021	2020	2019	2018	2017
	CNY'000	CNY'000	CNY'000	CNY'000	CNY'000
Revenue and Profit					
Revenue	**70,898**	55,727	58,099	51,204	28,796
Cost of sales	**(37,157)**	(26,362)	(28,153)	(29,257)	(18,456)
Gross profit	**33,741**	29,365	29,946	21,947	10,340
Other income, other net gains and losses	**9,205**	4,092	2,337	1,474	693
Selling and distribution expenses	**(6,311)**	(7,041)	(7,308)	(6,740)	(3,148)
Administrative and other expenses	**(25,036)**	(16,737)	(15,907)	(72,723)	(73,536)
Finance costs	**(523)**	(502)	(451)	(1,283)	(376)
Gain/(loss) on disposal/ (deconsolidation) of subsidiaries	**–**	–	–	874	(5,616)
Profit/(loss) before tax	**11,076**	9,177	8,617	(56,451)	(71,643)
Income tax expense	**(1,959)**	(1,974)	(1,209)	(1,134)	(437)
Profit/(loss) for the year	**9,117**	7,203	7,408	(57,585)	(72,080)
		(Re-presented)	(Re-presented)	(Re-presented)	(Re-presented)
Earnings/(loss) per share (CNY)					
Basic and diluted	**9.85 cents**	9.57 cents	10.13 cents	(92.13) cents	(130.26) cents

	As at 31 December				
	2021	2020	2019	2018	2017
	CNY'000	CNY'000	CNY'000	CNY'000	CNY'000
Assets and Liabilities					
Current assets	**126,666**	94,198	76,799	68,225	103,746
Non-current assets	**36,460**	35,125	33,181	28,159	28,455
Current liabilities	**(29,115)**	(26,120)	(21,285)	(15,420)	(13,113)
Non-current liabilities	**(9,262)**	(9,885)	(8,528)	(8,205)	(7,905)
Total equity	**124,749**	93,318	80,167	72,759	111,183