



P.B. Group Limited
倍搏集團有限公司

(incorporated in Cayman Islands with limited liability)

(Stock code: 8331)



2022
THIRD QUARTERLY REPORT

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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

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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.

THIRD QUARTERLY RESULTS FOR 2022 (UNAUDITED)

The board of Directors (the "Board") of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the three months and nine months ended 30 September 2022 (the "Reporting Period"), together with the comparative unaudited figures for the corresponding periods in 2021 as follows:

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

For the three months and nine months ended 30 September 2022

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2022 CNY'000 (Unaudited)	2021 CNY'000 (Unaudited)	2022 CNY'000 (Unaudited)	2021 CNY'000 (Unaudited)
Revenue	3	19,354	19,138	56,372	52,125
Cost of sales		(10,697)	(9,684)	(31,511)	(27,257)
Gross profit		8,657	9,454	24,861	24,868
Other income		859	686	1,256	1,362
Selling and distribution expenses		(763)	(1,842)	(4,215)	(6,964)
Administrative and other expenses		(6,950)	(4,927)	(17,893)	(15,687)
Finance costs		(123)	(116)	(364)	(404)
Loss on fair value changes of financial assets at fair value through profit or loss		(187)	-	(478)	-
Profit before tax		1,493	3,255	3,167	3,175
Income tax expense	4	(487)	(659)	(1,182)	(1,170)
Profit for the period		1,006	2,596	1,985	2,005
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		2,600	(1)	4,462	(18)
Other comprehensive income for the period, net of tax		2,600	(1)	4,462	(18)
Total comprehensive income for the period		3,606	2,595	6,447	1,987
Profit for the period attributable to owners of the Company		1,006	2,596	1,985	2,005
Total comprehensive income for the period attributable to owners of the Company		3,606	2,595	6,447	1,987
			(re-presented)		(re-presented)
Earnings per share (CNY):					
Basic and diluted	6	0.63 cents	2.99 cents	1.25 cents	2.31 cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2022

	Share capital CNY'000	Share premium CNY'000	Other reserve CNY'000	Statutory reserve CNY'000	Safety fund and production maintenance fund CNY'000	Foreign currency translation reserve CNY'000	Accumulated losses CNY'000	Total CNY'000
At 1 January 2021 (audited)	6,753	130,704	23,351	6,390	1,552	282	(75,714)	93,318
Profit for the period	-	-	-	-	-	-	2,005	2,005
Exchange difference arising on translation of financial statement of foreign operation	-	-	-	-	-	(18)	-	(18)
Other comprehensive income for the period	-	-	-	-	-	(18)	-	(18)
Total comprehensive income for the period	-	-	-	-	-	(18)	2,005	1,987
Appropriation to statutory reserve	-	-	-	720	-	-	(720)	-
Appropriation and utilisation of safety fund and production maintenance fund, net	-	-	-	-	151	-	(151)	-
At 30 September 2021 (unaudited)	<u>6,753</u>	<u>130,704</u>	<u>23,351</u>	<u>7,110</u>	<u>1,703</u>	<u>264</u>	<u>(74,580)</u>	<u>95,305</u>
At 1 January 2022 (audited)	13,261	146,974	23,351	7,609	1,694	(182)	(67,958)	124,749
Profit for the period	-	-	-	-	-	-	1,985	1,985
Exchange difference arising on translation of financial statement of foreign operation	-	-	-	-	-	4,462	-	4,462
Other comprehensive income for the period	-	-	-	-	-	4,462	-	4,462
Total comprehensive income for the period	-	-	-	-	-	4,462	1,985	6,447
Appropriation to statutory reserve	-	-	-	686	-	-	(686)	-
Appropriation and utilisation of safety fund and production maintenance fund, net	-	-	-	-	(40)	-	40	-
At 30 September 2022 (unaudited)	<u>13,261</u>	<u>146,974</u>	<u>23,351</u>	<u>8,295</u>	<u>1,654</u>	<u>4,280</u>	<u>(66,619)</u>	<u>131,196</u>

Notes:

(i) Other reserve

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

(ii) Statutory reserve

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

(iii) Safety fund and production maintenance fund

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL RESULTS

For the three months and nine months ended 30 September 2022

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 15 July 2015 and its shares were listed on GEM of the Stock Exchange on 29 December 2015. Its ultimate controlling shareholder is P.B. Asia Holdings Limited, who held 80,925,690 shares of the Company, representing approximately 50.86% of the total number of issued shares of the Company. P.B. Asia Holdings Limited is owned as to 50% by Dr. CHAN Man Fung and 50% by Mr. PUI Wai Lun. In addition, Dr. Chan Man Fung directly holds 6,682,000 Shares, representing approximately 4.2% of the total number of issued shares 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 in Hong Kong is Room 1601, 16/F., Park Commercial Centre, 180 Tung Lo Wan Road, Causeway Bay, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in bentonite mining, production and sales of drilling mud and pelletising clay and financial services business.

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 2022 (the "Third Quarterly Financial Statements") have been prepared in accordance with the applicable International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standard Board ("IASB") and the applicable disclosure requirements of the GEM Listing Rules.

The Third Quarterly Financial Statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the Third Quarterly Financial Statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021.

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

3. REVENUE AND SEGMENT INFORMATION

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

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

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

An analysis of revenue is as follows:

	Three months ended		Nine months ended	
	30 September		30 September	
	2022	2021	2022	2021
	CNY'000	CNY'000	CNY'000	CNY'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Drilling mud	7,842	5,029	19,276	14,070
Pelletising clay	7,653	11,700	27,627	31,369
Total revenue of bentonite mining	15,495	16,729	46,903	45,439
Wealth management services income	2,862	1,686	6,672	4,843
Loan interest income	693	440	1,920	994
Guarantee service fee income	283	283	849	849
Total revenue of financial services	3,838	2,409	9,441	6,686
Rental income	21	-	28	-
Total rental income	21	-	28	-
Total revenue	19,354	19,138	56,372	52,125

4. INCOME TAX EXPENSE

	Three months ended 30 September		Nine months ended 30 September	
	2022	2021	2022	2021
	CNY'000	CNY'000	CNY'000	CNY'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax:				
PRC Enterprise Income Tax ("EIT")	483	873	1,210	1,270
Deferred taxation:				
Current period	4	(214)	(28)	(100)
	<u>487</u>	<u>659</u>	<u>1,182</u>	<u>1,170</u>

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the 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 periods as the Group did not have any assessable profits subject to Hong Kong Profits Tax.
- (iii) Under the Law of the PRC on EIT ("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 periods.
- (iv) Feishang Material was recognised as a High Technology Enterprise and subject to EIT at 15% in accordance with the EIT Law for both periods.

5. DIVIDEND

No dividend was paid, declared or proposed by the Group during the Reporting Period (nine months ended 30 September 2021: nil).

6. EARNINGS PER SHARE

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

Three months ended 30 September		Nine months ended 30 September	
2022	2021	2022	2021
<i>CNY'000</i>	<i>CNY'000</i>	<i>CNY'000</i>	<i>CNY'000</i>
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)

Earnings

Earnings for the purpose of basic and diluted earnings per share

1,006	2,596	1,985	2,005
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Three months ended 30 September		Nine months ended 30 September	
2022	2021	2022	2021

Number of shares

Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share (*'000 shares*)

159,114	86,790	159,114	86,790
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(re-presented)

(re-presented)

Basic and diluted earnings per share (*CNY*)

0.63 cents	2.99 cents	1.25 cents	2.31 cents
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Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Bentonite Mining

Since the beginning of this year, in the face of complex and severe domestic and international situations and multiple factors that exceeded expectations, the national economy has continued to recover despite the pressure. In the third quarter, the economic recovery turned positive, significantly better than in the second quarter. Production demand has continued to improve, employment prices have been generally stable, and people's livelihood has been effectively ensured. The national measures to reorganize the steel industry have a lasting impact on our sales volume of pelletising clay. This quarter the sales revenue of pelletising clay decreased by approximately CNY4.05 million over the 3rd quarter of 2021. Costs of raw materials, freight, and energy that went up have led to a rise in unit processing cost of both drilling mud and pelletising clay. Therefore gross profit margin of bentonite products decreased from 47.8% to 43.3% for the reporting period. The Management has been focusing on expanding customer and market share and maintaining overall revenue growth. The revenue of bentonite mining increased by approximately 3.2% from approximately CNY45.4 million for the nine months ended 30 September 2021 to approximately CNY46.9 million for the nine months ended 30 September 2022.

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 known 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 Nonmetal 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 the Reporting Period of 2022, the outbreak of COVID-19 and its consequential travel restrictions situation have unfortunately persisted, it stopped new business sales from Mainland Chinese visitors. Moreover, due to severe outbreak of Omicron, the fifth wave of COVID-19, it seriously damaged the new business sales to local customer. In Feb and Mar of 2022, most of office and non-emergency job has arranged home office policy, it led to no face-to-face meeting to potential or current customers.

Nevertheless, we strived to navigate our businesses of wealth management services during this challenging period. 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 develop more communication channel such as telephone, web-meeting and so on. We also coordinated with our business partner and optimize the business flow with agency force as well as administrative support. Our agency team member continued to boost the recovery in sales momentum in Hong Kong's domestic customer markets.

Key performance indicator of wealth management services

		Nine months ended		
		30 September		
		2022	2021	Change
Value of new business (<i>Note 1</i>)	<i>HK\$'000</i>	2,836	1,878	51.0%
Persistency Rate of insurance policy	<i>Percentage</i>	99.6	99.5	0.1%
Agency force	<i>Number of agent</i>	48	44	9.1%

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 Reporting Period.

Our agency team member continued to grow and achieved approximately 9% 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 approximately 51.0% growth of value of new business for the long-term business of insurance brokerage for Reporting Period comparing to the corresponding period in 2021.

Money Lending Business

Hong Kong's GDP contracted by 4.5% in the third quarter of 2022 from a year earlier together the private consumption has no change in real terms in the third quarter from a year earlier. At the same time, the seasonally adjusted unemployment rate dropped by 0.8% from 4.7% in April – June 2022 to 3.9% in July – September 2022. The economic activities and business sentiment have been affected by COVID-19. Along with the high inflation rate in U.S.A., the Federal Reserve System (the "Fed") has raised the interest rate by 150 basis points from 1.5% – 1.75% to 3% – 3.25% during the Reporting Period. Accordingly, HIBOR (1-month) has also rise sharply from 0.8% at the beginning of the Reporting Period to 2.6% at the end of the Reporting Period. The banks' attitudes have become more conservative under the worsened economic environment so that more enterprises and individuals which may have difficulty in obtaining funding of loans from commercial banks. This may provide potential opportunities for licensed money lenders. Under the weakening economy in Hong Kong, the Group has become more cautious to expand the money lending business and to adopt measures and procedures to optimize the risks profile of loans. In addition, the Company has applied the proceeds from the right issues in 2021 for supporting the expansion of the money lending business of the Group, the loan interest income has an approximately 93.1% growth from approximately CNY994,000 for the nine months ended 30 September 2021 to approximately CNY1,920,000 for the Reporting Period.

Property Investment

In April 2022, P.B. Two (Hong Kong) Limited, a wholly owned subsidiary of the Company ("P.B. Two") acquired a property at the consideration of HK\$2,980,000. The Group holds the property for investment purpose and has lease out the property for rental income. Therefore, the acquisition offers the Group an appealing property investment opportunity for generating stable rental income and gaining from long-term capital appreciation. The rental income derived from the investment property is approximately CNY\$28,000 during the Reporting Period (2021: Nil).

FINANCIAL REVIEW

Revenue

The overall revenue increased by 8.1% from approximately CNY52.1 million for the nine months ended 30 September 2021 to approximately CNY56.4 million for the Reporting Period. The increase in revenue was contributed by the significant growth of wealth management services, loan interest income and bentonite mining business. The increase in total revenue for the Reporting Period was attributed to the increased revenue of approximately CNY2.8 million in financial services business in Hong Kong and the increased revenue of approximately CNY1.5 million in bentonite mining business comparing to the corresponding period in 2021.

The revenue of bentonite mining increased by approximately 3.2% from approximately CNY45.4 million for the nine months ended 30 September 2021 to approximately CNY46.9 million for the nine months ended 30 September 2022. The slight increase in revenue of bentonite mining was mainly contributed by the increase in the sales revenue of drilling mud by approximately 37.0% compared to the corresponding period in 2021 as a result of the management succeeds in developing new customers for drilling mud, which was partially offset by an approximately 11.9% drop in the sales revenue of pelletising clay caused by the downward pressure on the economy and the state's rectification of the steel industry. The average selling price of both drilling mud and pelletising clay increased by approximately 14.4% and 17.2% respectively by upgrading our products in response to a major customer's requirement for energy conservation and emission reduction.

Gross Profit and Gross Margin

The overall gross profit for the Reporting Period has no significant change comparing to the corresponding period in 2021, while the overall gross profit margin decreased from approximately 47.7% for the nine months ended 30 September 2021 to approximately 44.1% for the Reporting Period. The decrease in overall gross profit margin was mainly attributed to the combined effect of (i) the increase in the unit price of sales could not make up for the negative impact of the increase in cost and the decrease in sales volume, resulting in a decrease in gross margin of bentonite mining and (ii) the increase of gross profit margin of finance services business in Hong Kong.

Other Income

Other income was approximately CNY1.3 million for the Reporting Period, while there was approximately CNY1.4 million of other income for the nine months ended 30 September 2021. There was no significant change of other income.

Selling and Distribution Expenses

The selling and distribution expenses decreased by approximately 39.5% from approximately CNY7.0 million for the nine months ended 30 September 2021 to approximately CNY4.2 million for the Reporting Period. This was primarily due to the decrease in sales volume of pelletising clay for the Reporting Period.

Administrative and Other Expenses

The administrative and other expenses increased by approximately 14.1% from approximately CNY15.7 million for the nine months ended 30 September 2021 to approximately CNY17.9 million for the Reporting Period. The increase was mainly due to increase in professional fees and staff cost during the Reporting Period.

Finance Costs

The finance costs decreased by approximately 9.9% from approximately CNY404,000 for the nine months ended 30 September 2021 to approximately CNY364,000 for the Reporting Period. The decrease was mainly due to the decrease of lease interest expenses.

Income Tax Expense

The Group had an income tax expense of approximately CNY1.2 million for the Reporting Period as compared to approximately CNY1.2 million for the nine months ended 30 September 2021. There is no significant change of income tax expense.

Profit for the Period

Due to the combined effect of the aforesaid factors, the profit for the period attributable to the owners of the Company for the Reporting Period has no significant change comparing to the nine months ended 30 September 2021.

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 30 September 2022, the Group did not have any significant contingent liabilities.

OUTLOOK

Due to the outbreak of COVID-19 in 2022 in major cities of the PRC, the Chinese economy will inevitably face more challenges and further slow down. Within the bentonite industry, uncertainties brought by the Russo-Ukrainian War, the outbreak of COVID-19 in the mainland in 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.

As Hong Kong's exit strategy for COVID-19 needs to balance virus risks and reopening of border, the Group expects that the business environment in financial services, 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 eventually, 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.

DIVIDEND

In order to retain resources for the Group's business development, the Board does not recommend the payment of a dividend for the Reporting Period (nine months ended 30 September 2021: Nil).

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

As at 30 September 2022, 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 Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director or chief executive is taken or deemed to have under such provisions of the SFO) or which were required to be entered into the register required to be kept by the Company under section 352 of the SFO or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard of Dealings"), were set out below:

Name of Directors or chief executives	Long/Short position	Capacity	Number of Shares	Percentage of the issued shares	
				Notes	(%)
CHAN Man Fung	Long Position	Interests of a controlled corporation	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:

- 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.

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

As at 30 September 2022, so far as 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 which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of substantial shareholders	Long/short position	Capacity	Number of Shares	Percentage of the issued Shares (%)
Mr. Zhang Qiang	Long position	Beneficial owner	27,500,000	17.28
Ms. Wang Jie (<i>Note 1</i>)	Long position	Interest of spouse	27,500,000	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:

- 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 30 September 2022, 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.

SHARE OPTION SCHEME

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

As at 30 September 2022, no options had been granted, exercised or cancelled pursuant to the Share Option Scheme.

CORPORATE GOVERNANCE CODE

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by Directors in respect of the shares of the Company (the "Code of Conduct"). The Company has made specific enquiry to all Directors, and all Directors have confirmed that they have fully complied with the required standard of dealings set out in the Code of Conduct throughout the Reporting Period.

The Company also has written guidelines regarding securities transactions on terms no less exacting than the required standard set out in the Required Standard of Dealings for senior management and any individuals who may have access to inside information in relation to the securities of the Company.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

PRE-EMPTIVE RIGHTS

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

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

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

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

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

DISCLOSURE OF CHANGE OF DIRECTORS' INFORMATION

At the Annual General Meeting ("AGM") held on 24 June 2022, Mr. Zhang Kun did not offer himself for re-election due to his personal commitments on his other business and accordingly retired as an independent non-executive Director upon the conclusion of the AGM. Following the retirement of Mr. Zhang as an independent non-executive Director, he ceased to be the member of each of the Audit Committee, nomination committee of the Company and remuneration committee of the Company.

On 23 September 2022, Dr. Kwok Hiu Fung was appointed as an independent non-executive Director and a member of each of the audit committee, the remuneration committee and the nomination committee of the Company.

Save as disclosed above, the Directors are not aware of any other change in the information of Directors and chief executives of the Company required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules as at the date of this report.

PUBLIC FLOAT

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

As at 30 September 2022 and the date of this report, save as disclosed otherwise, the business environment and regulatory environment in which the Group operates have not witnessed any material change, and internal operations and management and financial operations have been running smoothly, and thereby no other major risk factors need to be disclosed separately. In accordance with the revised Corporate Governance Code and Corporate Governance Report (the “CG Code”) contained in Appendix 15 to the GEM Listing Rules, the Group continuously improves the risk management and internal control systems and updates a number of policies. The Board believes that these measures will strengthen the risk management and internal control systems of the Group.

OTHER INFORMATION

Back-to-back Guarantee Agreement

Reference was made to the announcements of the Company dated 30 July 2018, 29 July 2019, 24 July 2020, 28 July 2021 and 28 July 2022 in relation to the provisional of financial guarantee services. A Renewal Agreement to renew the Back-to-back Guarantee Agreement was entered by Wuhu Feishang Non-metal Material Co., Limited* (蕪湖飛尚非金屬材料有限公司), a wholly-owned subsidiary of the Company established in the PRC (the “Wuhu Subsidiary”), pursuant to which the Wuhu Subsidiary has agreed to provide financial guarantee to 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 lending bank. In return, the Wuhu Subsidiary shall receive a guarantee fee of 6% of the amount of deposit pledged by the Wuhu Subsidiary. The Board considers that the Group has surplus cash in CNY in excess of the working capital needs for its business operation in the PRC. The provision of Guarantee in favour of the Borrower will better utilize the Group’s surplus cash with reasonable return.

As the highest applicable percentage ratios calculated in accordance with the GEM Listing Rules in respect of the Renewal Agreement exceed 25%, the Renewal Agreement constitutes a major transaction on the part of the Company and is subject to the reporting, announcement, circular and shareholders’ approval requirements under Chapter 19 of the GEM Listing Rules.

As at the date of this report, P.B. Asia holds 80,925,690 Shares, representing approximately 50.86% of the total number of issued Shares of the Company. In addition, Dr. Chan, being the co-Chairman and executive Director, directly holds 6,682,000 Shares, representing approximately 4.2% of the total number of issued Shares of the Company. Accordingly, P.B. Asia and Dr. Chan are interested in an aggregate of 87,607,690 Shares, representing approximately 55.06% of the total number of issued Shares of the Company.

In accordance with Rule 19.44 of the GEM Listing Rules, a written Shareholders' approval from Dr. Chan and P.B. Asia has been obtained and accepted in lieu of holding a general meeting of the Company to approve the terms of, and the transactions contemplated, under the Renewal Agreement. As such, no general meeting of the Company will be convened. A circular of the Company containing, among other matters, details of the Renewal Agreement and the transactions contemplated thereunder, and other information as required under Rule 19.41(a) of the GEM Listing Rules, has been despatched to the Shareholders on 26 August 2022.

Non-fulfillment of Revenue Guarantee in Relation to the Acquisition of the Entire Issued Share Capital of P.B. One Capital Holdings Limited

Reference is made to the announcements dated 23 October 2020, 5 November 2020, 27 March 2022 and 30 September 2022 (the "Announcements") in relation to, among other things, the acquisition of the entire issued share capital of the P.B. One Capital Holdings Limited (formerly known as P.B. Group Limited, the "Target Company") involving issue of Consideration Shares under the General Mandate and the update of revenue guarantee. Unless the context requires otherwise, the use of capitalised terms herein shall have the same meanings as defined in the Announcements.

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 "Compensation"). Having considered the Shortfall was mainly due to (i) the unexpected circumstances caused by COVID-19 resulting in border restrictions between Mainland China and Hong Kong which causing a drop in Mainland China customer's demand of insurance and wealth management services and (ii) in consideration of the travel restriction abroad to Mainland China resulting in a delay in the flow of funds for the Vendor and the Guarantors in Mainland China, on 13 May 2022, the Company, the Vendors and the Guarantors have mutually agreed to extend the time for the settlement of the Compensation on or before 31 July 2022 (the "1st Extension").

As disclosed in the Interim Report 2022, the Compensation remains unsettled due to ongoing border restrictions between Mainland China and Hong Kong. Notwithstanding the continuance of border restrictions, further discussions were made between the Company with the Vendors and the Guarantors, on 12 August 2022, the Vendors and the Guarantors have mutually agreed to extend the time for the settlement of the Compensation on or before 30 September 2022 (the "2nd Extension").

On 30 September 2022, the Vendor and the Guarantors have compensated the Company the Shortfall. Accordingly, each of the Vendor and the Guarantors has fulfilled its/his obligations in accordance with the Agreement in relation to the 2021 Performance Target.

The Directors are of the view that the failure to meet the 2021 Performance Target will not pose any material adverse impact on the financial position and business operations of the Group as a whole.

Prepayment to Suppliers

Prepayment to Suppliers Reference was made to the Company's 2018, 2019, 2020 and 2021 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 gone through discovery of documents and on 20 September 2022, the Court made an order, which provides, inter alia, that a Case Management Summons is fixed for 9 February 2023, and before the hearing, the parties to the proceedings should attend mediation in a bid to resolve the disputes amicably. In the meantime, the parties are going to the stage of mediation.

- 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 (replaced by Mr. Aaron Gardner pursuant to the order made by the BVI court on 14 March 2022) of FTI Consulting (BVI) Limited and Mr. Chow Wai Shing Daniel of FTI Consulting (Hong Kong) Limited (“the Joint Liquidators”) be appointed as joint and several liquidators of the 2nd Defendant. Subsequent to the said order, the Joint Liquidators wrote to the Company on 15 June 2021 with the aim of (1) notifying the Company that the Joint 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 Joint Liquidators. Then on 17 June 2021, the Joint 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 Joint 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 Joint Liquidators are now in the course of locating if the 2nd Defendant has any assets overseas and they are of the view that a substantial amount of asset of the 2nd Defendant may be located in Singapore. To this end, the Joint Liquidators initiated an application in Singapore, seeking to apply for recognition of their liquidators’ status in Singapore. On 6 July 2022, the Singaporean Court granted an order to this effect. The Joint Liquidators are still in the course of locating the asset of the 2nd Defendant in Singapore. The liquidation of the 2nd Defendant is in progress;

- iii. 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 is seeking leave from the Court to file a Petition against Tong Chung Ming trading as Kai Muk Company. The Court has raised a lot of requisitions on the way of service of the statutory demand on the Tong Chung Ming, which was by way of substitute service; and we are now in the course of answering the requisitions raised. 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 Litu 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.

EVENTS AFTER THE REPORTING PERIOD

There is no material event undertaken by the Company or the Group subsequent to 30 September 2022 and up to the date of this report.

AUDIT COMMITTEE

The Company has an audit committee ("Audit Committee") which was established in accordance with the requirements of the GEM Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three independent non-executive Directors, namely, Mr. YIP Chong Ho Eric (chairman of Audit Committee), Mr. CHOW Chi Hang Tony, Mr. ZHANG Kun (retired on 24 June 2022) and Dr. KWOK Hiu Fung (appointed on 23 September 2022). The Audit Committee meets regularly with the Company's senior management and the Company's auditors to consider the Company's financial reporting process, the effectiveness of internal controls, the audit process and risk management.

The unaudited condensed consolidated financial statements of the Group for the Reporting Period have been reviewed by the Audit Committee, which was of the opinion that the preparation of such statements complied with applicable IFRSs and that adequate disclosure has been made in respect thereof.

BOARD OF DIRECTORS

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

By Order of the Board
P.B. Group Limited
CHAN Man Fung
Executive Director and Co-chairman

Hong Kong, 14 November 2022

* *The English name is for identification purpose only*