

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



(incorporated in Cayman Islands with limited liability)

(Stock code: 8331)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2023

The board (the “**Board**”) of directors (the “**Directors**”) of P.B. Group Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months ended 30 June 2023.

This announcement, containing the full text of the 2023 first quarterly report of the Company for the three months ended 30 June 2023 (the “**2023 First Quarterly Report**”), complies with the relevant requirements of the Rules Governing the Listing of Securities (“**GEM Listing Rules**”) on the GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in relation to information to accompany preliminary announcement of quarterly results. The printed version of the 2023 First Quarterly Report will be dispatched to the shareholders of the Company and available for viewing on the website of the Stock Exchange and of the Company at www.thepbg.com in due course in the manner as required by the GEM Listing Rules.

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

Hong Kong, 14 August 2023

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Listed Company Information” page of the Stock Exchange’s website at www.hkexnews.hk for a minimum period of seven days from the date of its publication and on the Company’s website at www.thepbg.com.

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

GEM has been positioned as a market designed to accommodate small and mid-sized 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 that the companies listed on GEM are generally small and mid-sized companies, 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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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.

FIRST QUARTERLY RESULTS

The board of Directors (the "Board") of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the three months ended 30 June 2023 (the "Reporting Period"), together with the comparative unaudited figures for the corresponding period in 2022 as follows:

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

For the three months ended 30 June 2023

		Three months ended 30 June	
	<i>Notes</i>	2023 CNY'000 (Unaudited)	2022 CNY'000 (Unaudited)
Revenue	3	14,514	21,180
Cost of sales		(9,015)	(11,737)
Gross profit		5,499	9,443
Other income, other net gains and losses		487	243
Selling and distribution expenses		(995)	(1,426)
Administrative and other expenses		(6,545)	(5,281)
Finance costs		(128)	(121)
Loss on fair value changes of financial assets at fair value through profit or loss		(696)	(291)
(Loss)/profit before taxation		(2,378)	2,567
Income tax credit/(expenses)	5	119	(560)
(Loss)/profit for the period		(2,259)	2,007
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		1,807	2,171
Total comprehensive (loss)/income for the period		(452)	4,178
(Loss)/profit for the period attributable to owners of the Company	6	(2,259)	2,007
Total comprehensive (loss)/income for the period attributable to owners of the Company		(452)	4,178
(Loss)/Earnings per share (CNY):			
Basic and diluted	6	(1.42) cents	1.26 cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2023

	Share capital	Share premium	Other reserve	Statutory reserve	Safety fund and production maintenance fund	Foreign currency translation reserve	Accumulated losses	Total
	CNY'000	CNY'000	CNY'000	CNY'000	CNY'000	CNY'000	CNY'000	CNY'000
At 1 April 2022 (unaudited)	13,261	146,974	23,351	7,724	1,729	(491)	(69,136)	123,412
Profit for the period	-	-	-	-	-	-	2,007	2,007
Exchange difference arising on translation of financial statement of foreign operation	-	-	-	-	-	2,171	-	2,171
Other comprehensive income for the period	-	-	-	-	-	2,171	-	2,171
Total comprehensive income for the period	-	-	-	-	-	2,171	2,007	4,178
Appropriation to statutory reserve	-	-	-	297	-	-	(297)	-
Appropriation and utilisation of safety fund and production maintenance fund, net	-	-	-	-	(22)	-	22	-
At 30 June 2022 (unaudited)	<u>13,261</u>	<u>146,974</u>	<u>23,351</u>	<u>8,021</u>	<u>1,707</u>	<u>1,680</u>	<u>(67,404)</u>	<u>127,590</u>
At 1 April 2023 (audited)	13,261	146,974	23,351	8,731	1,880	2,695	(72,001)	124,891
Loss for the period	-	-	-	-	-	-	(2,259)	(2,259)
Exchange difference arising on translation of financial statement of foreign operation	-	-	-	-	-	1,807	-	1,807
Other comprehensive income for the period	-	-	-	-	-	1,807	-	1,807
Total comprehensive loss for the period	-	-	-	-	-	1,807	(2,259)	(452)
Appropriation to statutory reserve	-	-	-	89	-	-	(89)	-
Appropriation and utilisation of safety fund and production maintenance fund, net	-	-	-	-	-	-	-	-
At 30 June 2023 (unaudited)	<u>13,261</u>	<u>146,974</u>	<u>23,351</u>	<u>8,820</u>	<u>1,880</u>	<u>4,502</u>	<u>(74,349)</u>	<u>124,439</u>

Notes:

(i) Other reserve

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

(ii) Statutory reserve

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

(iii) Safety fund and production maintenance fund

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

* For identification purpose only

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 15 July 2015 and its shares were listed on the GEM of the Stock Exchange on 29 December 2015.

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 1601, 16/F., Park Commercial Centre, 180 Tung Lo Wan Road, Causeway Bay, Hong Kong.

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

2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated financial results for the three months ended 30 June 2023 have been prepared in accordance with the applicable International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standard Board ("IASB") and the applicable disclosure requirements of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements for the three months ended 30 June 2023 are consistent with those adopted in the Group's annual financial statements for the 15-month period ended 31 March 2023. The Group has adopted new or revised standards, amendments to standards and interpretations of IFRSs which are effective for accounting periods commencing on or after 1 April 2023. The adoption of such new or revised standards, amendments to standards and interpretations does not have material impact on the consolidated accounts and does not result in substantial changes to the Group's accounting policies.

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

The unaudited condensed consolidated financial statements for the three months ended 30 June 2023 of the Group are presented in Chinese Yuan ("CNY"), which is also the functional currency of the Company. CNY is the currency of the primary economic environment in which the principal subsidiary of the Company operates (the functional currency of the principal subsidiary).

3. REVENUE

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

	Three months ended 30 June	
	2023	2022
	CNY'000	CNY'000
	(Unaudited)	(Unaudited)
Drilling mud	5,325	5,771
Pelletising clay	4,697	12,322
	<hr/>	<hr/>
Total revenue of bentonite mining	10,022	18,093
	<hr/>	<hr/>
Wealth management services income	3,690	2,158
Loan interest income	502	644
Guarantee service fee income	278	278
	<hr/>	<hr/>
Total revenue of financial services	4,470	3,080
	<hr/>	<hr/>
Rental income	22	7
	<hr/>	<hr/>
Total rental income	22	7
	<hr/>	<hr/>
Total revenue	14,514	21,180
	<hr/> <hr/>	<hr/> <hr/>

Geographical information

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

	Three months ended 30 June	
	2023	2022
	CNY'000	CNY'000
	(Unaudited)	(Unaudited)
PRC excluding Hong Kong	10,300	18,371
Hong Kong	4,214	2,809
	<hr/>	<hr/>
Total revenue	14,514	21,180
	<hr/> <hr/>	<hr/> <hr/>

4. SEGMENT INFORMATION

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

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

5. INCOME TAX CREDIT/(EXPENSES)

	Three months ended 30 June	
	2023	2022
	CNY'000	CNY'000
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax ("EIT")	–	523
Deferred taxation:		
Current period	(119)	37
	<u>(119)</u>	<u>560</u>

Notes:

- (a) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (b) No provision for Hong Kong profits tax has been made in the financial statements as the Group has sufficient tax losses brought forward to cover the estimated assessable profit for the Reporting Period (three months ended 30 June 2022: Nil).
- (c) Under the Law of the PRC on EIT (the "EIT Law") and implementation regulation of the EIT Law, the tax rate of the subsidiary established in the PRC other than Feishang Material is 25% for both periods.
- (d) Feishang Material was recognised as a High Technology Enterprise and subject to PRC income tax at 15% in accordance with the EIT Law effective for both periods.

6. (LOSS)/EARNINGS PER SHARE

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

	Three months ended 30 June	
	2023	2022
	CNY'000	CNY'000
	(Unaudited)	(Unaudited)
(Loss)/profit		
(Loss)/profit attributable to the owners of the Company for the purpose of basic and diluted (loss)/earnings per share	(2,259)	2,007
	159,114	159,114
	(1.42) cents	1.26 cents

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

7. DIVIDEND

The Board has resolved not to declare any interim dividend for the three months ended 30 June 2023 (three months ended 30 June 2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Bentonite Mining

China's GDP grew 5.5% year to year in the first half year of 2023, surpassing last year's 3% and the 4.5% pandemic average. However, economic recovery has been unsteady, and the global economy is facing numerous destabilizing factors. Despite efforts, domestic demand remains insufficient. Furthermore, the iron and steel industry's downstream demand was weaker than anticipated, resulting in a approximately 44.6% reduction in bentonite mining revenue from approximately CNY18.1 to approximately CNY10.0 million in the corresponding period in 2023.

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 ("P.B. Nikyo") and P.B. Credit Limited ("P.B. Credit") as well as generating financial guarantee fee income through 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 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.

* For identification purpose only

Wealth Management Services

By effect of the travel restriction has finally been cancelled as well as the ease of pandemic of Covid-19, the business environment was returned to normal. The Group's business of wealth management services also achieved a strong business growth during the Reporting Period. The Group's strategies for wealth management business were the expansion and enhancement of the quality of sales team and maintain the competitiveness of the sales products.

Our agency team member continued to grow and achieved approximately 22.22% 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 and develop the Asia countries customer markets. As a result, we see our business regaining good momentum and we achieved approximately 12.42% growth of value of new business for the long-term business of insurance brokerage in the Reporting Period comparing to the three months ended 30 June 2022.

		Three months ended 30 June 2023	Three months ended 30 June 2022	Change
Value of new business (<i>note 1</i>)	HK\$'000	1,014	902	12.42%
Persistency Rate of insurance policy	Percentage	99.51	99.48	0.03%
Agency force	Number of agent	55	45	22.22%

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.

Money Lending Business

The demand for loans is correlated to consumer and business sentiment which can then be reflected in the level of domestic economic activities. The economic activities and business sentiment have been affected by the novel coronavirus infection. Led by inbound tourism and private consumption, the Hong Kong economy continued to recover in the second quarter of 2023, it is an opportunity for licensed money lenders to expand the business. The Group was cautious to expand the money lending business and to adopt measures and procedures to optimize the risks profile of loans.

Property Investment

The Group holds the property for investment purpose and has leased out the property for generating stable rental income and gaining from long-term capital appreciation. The rental income derived from the investment property is approximately CNY22,000 during the Reporting Period (three months ended 30 June 2022: approximately CNY7,000).

FINANCIAL REVIEW

Revenue

The overall revenue decreased by approximately 31.5% from approximately CNY21.2 million for the three months ended 30 June 2022 to approximately CNY14.5 million for the Reporting Period. The decrease in revenue was mainly due to the decrease of sales of bentonite mining.

The revenue of bentonite mining decreased by approximately 44.6% from approximately CNY18.1 million to approximately CNY10.0 million during the Reporting Period due to the downturn in the iron and steel industry, resulting in a continued slack in market demand for bentonite products.

The revenue of financial services increased from approximately CNY3.1 million for the three months ended 30 June 2022 to approximately CNY4.5 million for the Reporting Period. The increase in revenue of financial services for the Reporting Period was mainly contributed by the increase of wealth management services income by approximately 71.0% comparing to the three months ended 30 June 2022.

Gross Profit and Gross Margin

The overall gross profit decreased by approximately 41.8% from approximately CNY9.4 million for the three months ended 30 June 2022 to approximately CNY5.5 million for the Reporting Period, and the overall gross profit margin decreased from approximately 44.6% for the three months ended 30 June 2022 to approximately 37.9% for the Reporting Period. The decrease in the overall gross profit margin and in the overall gross profit was mainly due to the decrease in of gross profit and gross profit margin of bentonite mining.

The gross profit and gross profit margin both declined due to decreased bentonite mining revenue and ineffective fixed cost allocation comparing to the three months ended 30 June 2022.

Other Income

Other income increase by approximately 100.4% from approximately CNY0.2 million for the three months ended 30 June 2022 to approximately CNY0.5 million for the Reporting Period. The increase was mainly due to the increase in exchange gain.

Selling and Distribution Expenses

The selling and distribution expenses decreased by approximately 30.2% from approximately CNY1.4 million for the three months ended 30 June 2022 to approximately CNY1.0 million for the Reporting Period due to decrease in sales amount and volume of bentonite mining.

Administrative and Other Expenses

The administrative and other expenses increased by approximately 23.9% from approximately CNY5.3 million for the three months ended 30 June 2022 to approximately CNY6.5 million for the Reporting Period. The increase was due to the increase of professional fee, staff cost and other operating expenses.

Finance Costs

No material fluctuation was noted during the Reporting Period.

Income Tax Credit/(Expense)

The income tax expenses decreased from approximately CNY560,000 for the three months ended 30 June 2022 to income tax credit of approximately CNY119,000 for the Reporting Period. The decrease of income tax expenses due to the combined effect of no PRC Enterprise Income Tax incurred for the Reporting Period as there was operating loss and the increase of deferred tax credit.

(Loss)/profit for the Period

Due to the decrease in revenue of bentonite mining and increase of administrative and other expenses, the Group incurred a loss of approximately CNY2.3 million whereas there is a profit of approximately CNY2.0 million for the three months ended 30 June 2022.

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 June 2023, the Group did not have any significant contingent liabilities.

OUTLOOK

We have now entered the post-pandemic era, where opportunities and challenges coexist. From the last three 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.

CAPITAL COMMITMENTS

As at 30 June 2023, the Group did not have significant capital commitments.

DIVIDEND

In order to retain resources for the Group's business development, the Board does not recommend the payment of a dividend for the Reporting Period (three months ended 30 June 2022: Nil).

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

As at 30 June 2023, 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 Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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	Approximate
					percentage of the issued shares (%)
CHAN Man Fung	Long Position	Interests of a controlled corporation	34,235,118	1	21.52
	Long Position	Interests of a controlled corporation	46,690,572	2	29.34
	Long Position	Beneficial owner	6,682,000		4.20
			87,607,690		55.06
PUI Wai Lun	Long Position	Interests of a controlled corporation	34,235,118	1	21.52
	Long Position	Interests of a controlled corporation	46,690,572	2	29.34
			80,925,690		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 34,235,118 shares.
- Bonus Eventus Securities Limited is indirectly 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 46,690,572 shares.

Save as disclosed above, as at 30 June 2023, 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.

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 June 2023, no options had been granted, exercised or cancelled pursuant to the Share Option Scheme.

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

As at 30 June 2023, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executives of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of substantial shareholders	Long/short position	Capacity	Number of shares	<i>Note</i>	Approximate percentage of the issued shares <i>(%)</i>
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	34,235,118		21.52
Bonus Eventus Securities Limited	Long position	Beneficial owner	46,690,572		29.34

Note:

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 30 June 2023, no other persons or corporations (other than the Directors and the chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CORPORATE GOVERNANCE CODE

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

DIRECTORS’ INTEREST IN COMPETING BUSINESS

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

PRE-EMPTIVE RIGHTS

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

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

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

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

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

PUBLIC FLOAT

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

As at 30 June 2023 and the date of this report, save as disclosed otherwise, the business environment and regulatory environment in which the Group operates have not witnessed any material change, and internal operations and management and financial operations have been running smoothly, and thereby no other major risk factors need to be disclosed separately. In accordance with the CG Code contained in Appendix 15 to the GEM Listing Rules, the Group continuously improves the risk management and internal control systems and updates a number of policies. The Board believes that these measures will strengthen the risk management and internal control systems of the Group.

OTHER INFORMATION

Prepayment to Suppliers

Reference was made to the Company's 2018, 2019, 2020 and 2021 Annual Reports, 2019, 2020, 2021, 2022 Interim Reports, 2022 Second Interim Report and 2022/23 Annual Report, regarding the failure of the suppliers namely Lituo Enterprise (HK) Limited and Kai Muk Company to refund the trade deposits in the total amount of approximately HK\$54.46 million to the Company. The Company has:

- i. instituted legal proceedings against Lituo Enterprise (HK) Limited ("Lituo") on 18 October 2018 to recover outstanding deposits amounted to HK\$10,930,000 under High Court Action No. 2449 of 2018. Lituo filed its defence on 28 November 2018. Upon counsel's advice, the Company considered to have taken out summary proceedings against Lituo 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 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. After the parties had completed discovery of evidence exhibit, and upon counsel's advice, the company attempted to consolidate with the action of HCA 2450 of 2018 ("HCA 2450") by taking out a Summons dated 6 February 2023 returnable on 9 February 2023. However, at the hearing, the Court dismissed the Company's summons, but ordered that the two cases be heard together. The parties have completed the discovery of documentary evidence and exchanged the statements of witnesses of the case. A Case Management Conference has been fixed for 7 December 2023.
- ii. instituted legal proceedings against, Lituo Enterprise (HK) Limited ("Lituo") and another company ("the 2nd Defendant") which was the payee designated by Lituo under the underlying contract, to recover outstanding deposits amounted to HK\$35,000,000 under High Court Action No. 2450 of 2018. Lituo 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. On the other hand, the Company sought advice from counsel on the merits of the case against Lituo, whereupon it is counsel’s advice that the case should consolidate with HCA 2449 of 2018 (“HCA 2449”). The Company therefore on 6 February 2023 took out a Summons applying for the case to be consolidated with HCA 2449 returnable 29 on 9 February 2023. At the hearing, the Court rejected the Company’s Summons but ordered that the two cases be heard together. The parties have completed the discovery of documentary evidence and exchanged the statements of witnesses of the case. A Case Management Conference has been fixed for 7 December 2023.

- 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.

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

EVENTS AFTER THE REPORTING PERIOD

Back-to-back Guarantee Agreement

Reference were made to the announcements of the Company dated 30 July 2018, 29 July 2019, 24 July 2020, 28 July 2021, 28 July 2022 and 28 July 2023 in relation to the provisional of financial guarantee services. On 28 July 2023, 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 provision of Guarantee in favour of the Borrower will better utilise the Group's cash in return for a stable interest income.

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 34,235,118 Shares, representing approximately 21.52% of the total number of issued Shares of the Company and Bonus Eventus holds 46,690,572 Shares representing approximately 29.34% 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, Bonus Eventus 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, Bonus Eventus 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, is expected to be despatched to the Shareholders on or before 18 August 2023.

Save as disclosed above, there have been no other material events occurring after the Reporting Period and up to the date of this report.

AUDIT COMMITTEE

The Company has an audit committee (“Audit Committee”) which was established in accordance with the requirements of the GEM Listing Rules for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Audit Committee comprises three independent non-executive Directors, namely, Mr. HUNG Chiu Fat (chairman of the Audit Committee), Mr. CHOW Chi Hang Tony and Dr. KWOK Hiu Fung. 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. HUNG Chiu Fat, 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 August 2023

* *The English name is for identification purpose only*