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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in P.B. Group Limited (the “**Company**”), you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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**MAJOR TRANSACTIONS:  
CONSTRUCTION AGREEMENTS IN RELATION TO  
CONSTRUCTION OF FACTORY FACILITIES**

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A letter from the Board is set out on pages 4 to 12 of this circular.

The transaction being the subject matter of this circular has been approved by written shareholders' approval pursuant to Rule 19.44 of the GEM Listing Rules in lieu of a general meeting of the Company. This circular is being despatched to the Shareholders for information only.

*This circular will remain on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) on the “Latest Company Announcements” page for at least 7 days from the date of its publication and on the website of the Company at [www.theptbg.com](http://www.theptbg.com).*

21 March 2024

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## CHARACTERISTICS OF GEM

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**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 and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“Announcement”	the announcement made by the Company dated 29 February 2024 regarding the Construction Agreements
“Bentonite Plant”	the bentonite production line of the factory premises of the Wuhu Subsidiary located at Xiao Keshan, Xingang Town, Fanchang County, Wuhu, Anhui Province, the PRC, with a total construction area of approximately 17,482.96 sq. metres
“Board”	the board of Directors
“Bonus Eventus”	Bonus Eventus Securities Limited, a company incorporated in the Hong Kong with limited liability which is indirectly owned as to 50% by Dr. Chan and 50% by Mr. Pui
“close associate(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“Company”	P.B. Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on GEM (stock code: 8331)
“connected person(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“Construction Agreement A”	the agreement dated 29 February 2024 entered into between the Wuhu Subsidiary and Contractor A in respect of the construction of steel structures on the Bentonite Plant
“Construction Agreement B”	the agreement dated 29 February 2024 entered into between the Wuhu Subsidiary and Contractor B in respect of the construction of installations and facilities on the Bentonite Plant
“Construction Agreements”	collectively, the Construction Agreement A and the Construction Agreement B
“Contractor A”	Wuhu Maohua Steel Structure Co., Ltd.* (蕪湖茂華鋼構有限責任公司), a company established in the PRC, which is an Independent Third Party and not related to Contractor B

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## DEFINITIONS

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“Contractor B”	Anhui Fanchang County Minquan Construction Engineering Co., Ltd.* (安徽省繁昌縣民全建築工程有限公司), a company established in the PRC, which is an Independent Third Party and not related to Contractor A
“Director(s)”	the director(s) of the Company
“Dr. Chan”	Dr. Chan Man Fung, the Co-chairman of the Company and an executive Director
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third party(ies) independent of the Company and its connected persons
“Latest Practicable Date”	18 March 2024, being the latest practicable date for ascertaining certain information for inclusion in this circular prior to the printing of this circular
“Mr. Pui”	Mr. Pui Wai Lun, the co-chairman of the Company and an executive Director
“P.B. Asia”	P.B. Asia Holdings Limited, a company incorporated in British Virgin Islands with limited liability which is owned as to 50% by Dr. Chan and 50% by Mr. Pui
“PRC”	the People’s Republic of China, and for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong

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## DEFINITIONS

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“Wuhu Subsidiary”	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
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

\* *the English names are not official names but are provided for identification purpose only*

*In this circular, amounts in RMB are translated into HK\$ on the basis of RMB1=HK\$1.10 for illustration purpose only.*

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LETTER FROM THE BOARD

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*(incorporated in Cayman Islands with limited liability)*

**(Stock code: 8331)**

*Executive Directors:*

Dr. CHAN Man Fung *(Co-chairman)*

Mr. PUI Wai Lun *(Co-chairman)*

Mr. PANG Ho Yin

Ms. ZONG Yan

*Registered office:*

71 Fort Street

P.O. Box 500, George Town

Grand Cayman KY1-1106

Cayman Islands

*Independent non-executive Directors:*

Mr. CHAN Ka Wai

Mr. CHOW Chi Hang Tony

Dr. KWOK Hiu Fung

*Principal place of business in*

*Hong Kong:*

Room 1601, 16/F.

Park Commercial Centre

180 Tung Lo Wan Road

Causeway Bay

Hong Kong

21 March 2024

*To the Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTIONS:  
CONSTRUCTION AGREEMENTS IN RELATION TO  
CONSTRUCTION OF FACTORY FACILITIES**

**1. INTRODUCTION**

Reference is made to the Announcement.

The purpose of this circular is to provide you with, among other things, (i) further details of the Construction Agreements; (ii) financial information of the Group; and (iii) other information in accordance with the GEM Listing Rules.

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## LETTER FROM THE BOARD

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### 2. CONSTRUCTION AGREEMENTS

On 29 February 2024 (after trading hours), the Wuhu Subsidiary entered into the following agreements:

- (1) the Construction Agreement A with Contractor A, pursuant to which Contractor A (as the contractor) has agreed to undertake the construction work of steel structures on the Bentonite Plant at cash consideration of RMB11,636,000 (equivalent to approximately HK\$12,799,600); and
- (2) the Construction Agreement B with Contractor B, pursuant to which Contractor B (as the contractor) has agreed to undertake the construction and demolition work of installations and facilities on the Bentonite Plant at cash consideration of RMB14,743,000 (equivalent to approximately HK\$16,217,300).

Salient terms of each of the Construction Agreements are as follows:

#### (1) Construction Agreement A

**Date:** 29 February 2024

**Parties:** (1) 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; and

(2) Wuhu Maohua Steel Structure Co., Ltd.\* (蕪湖茂華鋼構有限責任公司) as contractor

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, Contractor A is a company established in the PRC principally engaged in industrial and civil construction, steel engineering and sale of metal products and materials in the PRC. To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, Contractor A and its ultimate beneficial owners, namely, Mr. Hu Ziyang\* and Mr. Hu Maohua\* are Independent Third Parties.

**Subject matter:** Contractor A shall be responsible for the processing and installation of steel structures in the integrated workshop and finished products warehouse for the Bentonite Plant.



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## LETTER FROM THE BOARD

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- Consideration:** RMB11,636,000 in total (equivalent to approximately HK\$12,799,600), which shall be settled by the Wuhu Subsidiary in cash in the following manner:
- (i) a prepayment of RMB3,490,800 (equivalent to approximately HK\$3,839,880), representing 30% of the total consideration, has been paid within 7 days after the date of the Construction Agreement A;
  - (ii) RMB2,327,200 (equivalent to approximately HK\$2,559,920), representing 20% of the total consideration, shall be paid after completing the installation of the main steel structure;
  - (iii) RMB3,490,800 (equivalent to approximately HK\$3,839,880), representing 30% of the total consideration, shall be paid after the completion of the installation of the secondary steel structure;
  - (iv) RMB1,745,400 (equivalent to approximately HK\$1,919,940), representing 15% of the total consideration, shall be paid after completing the installation of gate, awning or ladder and the auxiliary components and passing the overall completion inspection; and
  - (v) the remaining 5% of the total consideration shall be retained by the Wuhu Subsidiary as quality guarantee fees which shall be payable in the manner set out under the sub-section headed “Quality guarantee fees” below.
- Construction period:** 270 days, commencing from 11 March 2024 to 10 December 2024.
- Warranty period:** 1 year from the date of passing the completion inspection and acceptance of the construction works.

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## LETTER FROM THE BOARD

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**Quality guarantee fees:** being the amount of RMB581,800 (equivalent to approximately HK\$639,980), representing 5% of the total consideration, which shall be payable by the Wuhu Subsidiary within 7 days after the expiry of the warranty period, provided that no quality issue has arisen. The parties shall separately agree on the arrangement to make any deduction of repairing expenses incurred by the Wuhu Subsidiary from the quality guarantee fees if any quality issue arises, depending on the magnitude of such defect and the amount of repairing expenses involved.

**Condition precedent:** The Construction Agreement A is conditional upon the Shareholders' approval in respect of the Construction Agreement A and the transactions contemplated thereunder having been obtained.

As at the Latest Practicable Date, the condition precedent set out above has been fulfilled given the written Shareholders' approval obtained from Dr. Chan, Bonus Eventus and P.B. Asia.

### (2) Construction Agreement B

**Date:** 29 February 2024

**Parties:**

- (1) 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; and
- (2) Anhui Fanchang County Minquan Construction Engineering Co., Ltd.\* (安徽省繁昌縣民全建築工程有限公司) as contractor

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, Contractor B is a company established in the PRC principally engaged in construction and supervision of construction projects, subcontracting of construction labour, interior decoration and furnishing for residential housing, landscaping, management of municipal facilities and construction projects in the PRC. To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, Contractor B and its ultimate beneficial owners, namely, Mr. Li Mingquan\* and Mr. Li Mingyu\* are Independent Third Parties.

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## LETTER FROM THE BOARD

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- Subject matter:** Contractor B shall be responsible for the civil construction and installation of facilities, demolition of buildings, building of equipment foundation and ancillary engineering projects for the Bentonite Plant.
- Consideration:** RMB14,743,000 in total (equivalent to approximately HK\$16,217,300), which shall be settled by the Wuhu Subsidiary in cash in the following manner:
- (i) a prepayment of RMB1,474,300 (equivalent to approximately HK\$1,621,730), representing 10% of the total consideration, has been paid within 7 working days from the commencement date of the construction;
  - (ii) subject to reporting by Contractor B and review and approval by the Wuhu Subsidiary or a third party entrusted by the Wuhu Subsidiary, up to 80% of the total consideration shall be settled monthly in accordance with the relevant progress of the works completed under the Construction Agreement B;
  - (iii) subject to reporting by Contractor B and review and approval by the Wuhu Subsidiary or a third party entrusted by the Wuhu Subsidiary, up to 95% of the total consideration, less the 80% already paid pursuant to (ii) above, shall be settled by the Wuhu Subsidiary after passing the completion inspection; and
  - (iv) the remaining 5% of the total consideration shall be retained by the Wuhu Subsidiary as quality guarantee fees which shall be payable in the manner set out under the sub-section headed “Quality guarantee fees” below.
- Construction period:** 360 days, commencing from 11 March 2024 to 6 March 2025.
- Warranty period:** 24 months from the date of passing the completion inspection and acceptance of the construction works. If there is any quality defect caused by Contractor B during the warranty period, Contractor B shall bear the responsibility for making good such defect and the corresponding warranty obligation.

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## LETTER FROM THE BOARD

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**Quality guarantee fees:** being the amount of RMB737,150 (equivalent to approximately HK\$810,865), representing 5% of the total consideration, which shall be payable by the Wuhu Subsidiary within 14 days after the expiry of the warranty period, provided that no quality issue has arisen. If Contractor B fails to make good the quality defect (if any) after the expiry of the warranty period, the Wuhu Subsidiary is entitled to deduct such repairing expenses incurred by the Wuhu Subsidiary from the quality guarantee fees.

**Condition precedent:** The Construction Agreement B is conditional upon the Shareholders' approval in respect of the Construction Agreement B and the transactions contemplated thereunder having been obtained.

As at the Latest Practicable Date, the condition precedent set out above has been fulfilled given the written Shareholders' approval obtained from Dr. Chan, Bonus Eventus and P.B. Asia.

### **Basis of consideration**

The consideration under each of the Construction Agreements was determined after the tendering process undertaken by the Wuhu Subsidiary. The Wuhu Subsidiary first screened qualified tenderers and sent out invitations to tender to the eligible tenderers through its agent. The bid evaluation committee of the Wuhu Subsidiary then evaluated the tenders received in two stages: (i) preliminary evaluation involving review of qualifications and conformity with conditions of participation (including payment of a tender deposit); and (ii) detailed evaluation involving quantitative assessment of credit standing, technical proposal and tender price documents by scoring. The successful tenderers were then determined by reference to their overall scores.

Both Contractor A and Contractor B possess the necessary qualifications, relevant experience in fields such as civil construction and steel engineering, satisfactory past performance and high social credit scores. The construction plans and tender prices submitted by them also suit the needs of the Wuhu Subsidiary. Taking into account the estimated costs of the construction works, the prevailing market price of projects of similar nature and scale, and after assessing the experience, qualifications, social credit ratings and capability of Contractor A and Contractor B which are considered satisfactory, the tenders submitted by Contractor A and Contractor B for the respective Construction Agreements were considered the most appropriate.

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## LETTER FROM THE BOARD

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### **3. REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSTRUCTION AGREEMENTS**

The Group is principally engaged in (i) bentonite mining; (ii) the production and sales of drilling mud and pelletising clay; (iii) financial service business; and (iv) rental business.

The existing Bentonite Plant is made up of old factory buildings which are short and shabby thereby constraining its production capacity and the level of automation in its production is limited due to its obsolete equipment in use. There is also room for improving the efficiency of the internal logistics and transport of materials among the currently dispersed storage of raw materials, semi-finished products and finished products. As disclosed in the annual report of the Company for the fifteen months ended 31 March 2023 and the interim report of the Company for the six months ended 30 September 2023, the Group planned to further improve its processing plant and equipment, being one of the business strategies to strengthen its market position in the bentonite industry in the PRC. In this regard, the Group intended to upgrade and expand the production line of the existing Bentonite Plant by reconstructing its integrated workshop and finished product warehouse. The construction involving installation of facilities and building of equipment foundation is conducive for the automation of production process and centralized management.

The entering into of the Construction Agreements is in line with the business plan of the Group and will further enhance its production and storage capacity in view of the continuous growth in demand for bentonite products. The completion of the construction projects will help establish a stable and efficient production line for the long-term development of the Group's bentonite business and further enhance its market competitiveness.

In view of the foregoing, the Directors consider that the terms and conditions of the Construction Agreements are fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

### **4. FINANCIAL EFFECTS OF THE CONSTRUCTION AGREEMENTS ON THE GROUP**

The aggregate consideration payable by the Wuhu Subsidiary under the Construction Agreements is approximately RMB26.4 million (equivalent to approximately HK\$29.0 million), which will be financed by the Group's internal resources.

There will not be any material effect on the earnings, assets and liabilities of the Group immediately after the execution of the Construction Agreements. Since the consideration is expected to be funded by the Group's internal resources, after full payment of the consideration, the cash and cash equivalents of the Group will be decreased and the property, plant and equipment will be increased by approximately RMB26.4 million (equivalent to approximately HK\$29.0 million). The total assets and total liabilities will have no significant change. It is

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## LETTER FROM THE BOARD

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expected that after completion of the constructions, the expansion of the bentonite production line will lead to more production output, increase the bentonite product revenue and enhance the profitability of the Group.

### **5. IMPLICATIONS UNDER THE GEM LISTING RULES**

As the structures and facilities to be constructed under each of the Construction Agreements are for the Group's own use in its ordinary and usual course of business, in accordance with Rule 19.23A of the GEM Listing Rules, the transactions contemplated under the Construction Agreements are not required to be aggregated and treated as one transaction on the sole basis that the transactions form parts of one asset.

As the highest applicable percentage ratios calculated in accordance with the GEM Listing Rules in respect of each of the Construction Agreement A and the Construction Agreement B exceed 25% but not more than 100%, each of the Construction Agreement A and the Construction Agreement B 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.

### **6. WRITTEN SHAREHOLDERS' APPROVAL**

As at the Latest Practicable Date and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder or any of its close associates has any material interest in the Construction Agreements and the transactions contemplated thereunder, and therefore no Shareholder is required to abstain from voting under the GEM Listing Rules if the Company were to convene a general meeting for the approval of the Construction Agreements.

As at the Latest Practicable Date, 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, being a closely allied group of Shareholders, 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 may be accepted in lieu of holding a general meeting of the Company to approve the Construction Agreements and the transactions contemplated thereunder. As such, no general meeting of the Company will be convened.

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## LETTER FROM THE BOARD

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### 7. RECOMMENDATION

This circular is despatched to Shareholders for information purposes only. Although no general meeting will be convened, the Directors (including the independent non-executive Directors) are of the view that the transactions, based on the reasons set out in the above paragraph “**REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSTRUCTION AGREEMENTS**”, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. If a general meeting were to be convened for approving the transaction under the Construction Agreements, the Board would recommend the Shareholders to vote in favour of the ordinary resolution(s) to approve the Construction Agreements and the transactions contemplated thereunder.

### ADDITIONAL INFORMATION

Your attention is also drawn to the other additional information set out in the appendices to this circular.

### MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

Yours faithfully,  
For and on behalf of the Board of  
**P.B. Group Limited**  
**CHAN Man Fung**  
*Executive Director and Co-chairman*

**(1) FINANCIAL INFORMATION**

The audited consolidated financial statements of the Group for the year ended 31 December 2020 and 2021; and the audited consolidated financial statements of the Group for the fifteen months ended 31 March 2023 were disclosed in the annual reports of the Company for the years ended 31 December 2020 (pages 95 to 160), 2021 (pages 99 to 160), and the fifteen months ended 31 March 2023 (pages 103 to 178). The unaudited condensed consolidated interim financial information of the Group for the six months ended 30 September 2023 is set out from pages 32 to 52 in the interim report of the Company for the six months ended 30 September 2023. The aforementioned financial information of the Group has been published on both the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.thepbg.com](http://www.thepbg.com)).

Please refer to the hyperlinks as stated below:

Annual Report for the year ended 31 December 2020:

<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0331/2021033103014.pdf>

Annual Report for the year ended 31 December 2021:

<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0327/2022032700244.pdf>

Annual Report for the fifteen months ended 31 March 2023:

<https://www1.hkexnews.hk/listedco/listconews/gem/2023/0702/2023070200049.pdf>

Interim Report for six months ended 30 September 2023:

<https://www1.hkexnews.hk/listedco/listconews/gem/2023/1114/2023111401398.pdf>



**(2) STATEMENT OF INDEBTEDNESS**

As at 31 January 2024, being the most recent practicable date for the purpose of ascertaining information contained in this statement of indebtedness prior to the printing of this circular, the details of the Group's indebtedness are as follows:

**Borrowings**

As at 31 January 2024, being the most recent practicable date for the purpose of this statement of indebtedness, the Group has outstanding borrowings of approximately RMB22,223 details of which are set out as follows:

	<b>31 January 2024</b>
	unaudited
	<i>RMB</i>
Amount due to directors <i>(Note)</i>	<u>22,223</u>

*Note:* The amounts are unsecured, interest free and has no fixed terms of repayment. The amounts due to directors are amounted at HK\$24,370. The exchange rate accepted on that date is HK\$1:RMB0.9119.

**Contingent liabilities and financial guarantees**

As at 31 January 2024, the Group's financial guarantee contracts were as follows:

	<i>RMB</i>
Fair value of financial guarantees provided to third party	<u>—</u>

On 28 July 2023, the Group entered into a back-to-back guarantee agreement, pursuant to which the Wuhu Subsidiary has agreed to provide financial guarantee to Wuhu Haiyuan Copper Industrial Co., Ltd\* (蕪湖海源銅業有限責任公司) (“**Wuhu Haiyuan**”), an Independent Third Party, by means of pledging its deposit in the sum of RMB20 million for procuring Wuhu Haiyuan to obtain the loan of RMB19 million provided by the bank. In return, the Wuhu Subsidiary would receive a guarantee fee of 6% of the amount of deposit pledged by the Wuhu Subsidiary. The fair value of the financial guarantee issued at initial recognition was immaterial.

**Lease liabilities**

As at 31 January 2024, being the latest practicable date for the purpose of this indebtedness statement prior to the date of this circular, the Group had lease liabilities of HK\$172,185, which were unguaranteed and unsecured.

**Pledged bank deposit**

Pledged bank deposit represented deposit pledged to bank to secure short-term bank borrowing granted to an Independent Third Party. As at 31 January 2024, the bank deposit of RMB20,000,000 has been pledged to secure short-term bank borrowing of the Independent Third Party and was therefore classified as current asset. The pledged bank deposit carry interest rates at 2.10% per annum and will be released upon the expiry of the short-term bank borrowing.

Save as disclosed above, and apart from intra-group liabilities, the Group did not have any outstanding bank overdrafts or loans, or other similar indebtedness, mortgages, charges, or guarantees, debt securities, term loans, hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits, other borrowings or indebtedness in the nature of borrowings or other material contingent liabilities as at 31 January 2024.

**(3) WORKING CAPITAL**

The Directors are of the opinion that, taking into account the effect of the Construction Agreements, cash flow from operations, the facilities available and the Group's present available financial resources, the Group will have sufficient working capital for its present requirements for at least 12 months from the date of this circular.

**(4) FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

The Company is an investment holding company and the Group is principally engaged in (i) bentonite mining; (ii) the production and sales of drilling mud and pelletising clay; (iii) financial service business; and (iv) rental business.

Within the bentonite industry, uncertainties brought by the Russo-Ukrainian War 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.

For the financial services business, with the expectation of increasing awareness in wealth management in recent years, as well as the lifting of quarantine for arrivals and an end to the ban on outbound travel were major steps on the path towards normality, 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.

**(5) MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors confirm that save for the increase in loss for the six months ended 30 September 2023 mainly attributable to the decrease in revenue of bentonite mining as disclosed in the interim report for the six months ended 30 September 2023, there has been no material adverse change in the financial or trading position of the Group since 31 March 2023, the date to which the latest published audited accounts of the Group were made up.

**(1) RESPONSIBILITY STATEMENT**

This circular, 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 Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular 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 circular misleading.

**(2) DISCLOSURE OF INTERESTS****(a) Directors' Interests**

As at the Latest Practicable Date, the interests and short positions, if any, of the Directors or the chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) ("SFO")) which (i) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant Rule 5.46 to Rule 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

***Long positions in the Shares and the underlying shares***

<b>Name of Director</b>	<b>Number of Shares held</b>	<b>Capacity</b>	<b>Approximate percentage of the issued share capital of the Company</b>
Dr. CHAN Man Fung	34,235,118	Interests of a controlled corporation <i>Note 1</i>	21.52%
	46,690,572	Interests of a controlled corporation <i>Note 2</i>	29.34%
	6,682,000	Beneficial owner	4.20%
Mr. PUI Wai Lun	34,235,118	Interests of a controlled corporation <i>Note 1</i>	21.52%
	46,690,572	Interests of a controlled corporation <i>Note 2</i>	29.34%

*Note 1:* P.B. Asia Holdings Limited is owned as to 50% by Dr. CHAN Man Fung and 50% by Mr. PUI Wai Lun. By virtue of the SFO, Dr. CHAN Man Fung and Mr. PUI Wai Lun are deemed to be interested in these 34,235,118 Shares.

Dr. CHAN Man Fung and Mr. PUI Wai Lun, the executive Directors, are also the directors of P.B. Asia Holdings Limited.

*Note 2:* 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.

Mr. PUI Wai Lun, the executive Director, is also the director of Bonus Eventus Securities Limited.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company and their respective associates held any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors is a director or employee of a company which had, or was deemed to have, an interest or short position 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.

**(b) Substantial Shareholders' Interests**

So far as is known to each Director or the chief executive of the Company, as at the Latest Practicable Date, the following persons, other than a Director or the chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

***Long positions***

Name of Substantial Shareholders	Number of Shares held	Capacity	Approximate percentage of the issued share capital of the Company
Mr. ZHANG Qiang	27,500,000	Beneficial owner	17.28%
Ms. WANG Jie <sup>Note 1</sup>	27,500,000	Interest of spouse	17.28%
P.B. Capital Advanced Fund SPC – P.B. Capital Advance Fund 1 Segregated Portfolio	11,176,200	Beneficial owner	7.02%
P.B. Asia Holdings Limited	34,235,118	Beneficial owner	21.52%
Bonus Eventus Securities Limited	46,690,572	Beneficial owner	29.34%

*Note:*

- 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 the Latest Practicable Date, none of the Directors or the chief executive of the Company was aware of any other person, other than a Director or the chief executive of the Company, who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

**(3) DIRECTORS' INTERESTS**

- (a) As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or may be terminated by the employer within one year without payment of compensation, other than statutory compensation).
- (b) As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have, since 31 March 2023 (being the date to which the latest published audited consolidated financial statements of the Company were made up), been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.
- (c) None of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular and which is significant in relation to the business of the Group.

**(4) DIRECTORS' INTERESTS IN COMPETING BUSINESS**

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

**(5) LITIGATION**

In addition to the disclosure in the interim report of the Company for the six months ended 30 September 2023, as at the Latest Practicable Date, 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 taken place on 7 December 2023. The cases HCA 2450 together with HCA 2449 (as defined below) have been set down for trial commencing from 17 to 21 March 2025.
- (ii) instituted legal proceedings against, 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 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 taken place on 7 December 2023. The cases HCA 2450 and HCA 2449 have been set down for trial commencing from 17 to 21 March 2025.

- (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 at the Latest Practicable Date, save as disclosed above, no member of the Group was involved in any litigation or claims of material importance and no litigation or claims of material importance were known to the Directors to be pending or threatened against any member of the Group.

#### (6) MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group within the two years immediately preceding the date of this circular are, or may be, material:

- (a) a sale and purchase agreement dated 28 April 2022 entered into between Dr. Chan as vendor and P.B. Two (Hong Kong) Limited (“**P.B. Two**”) as purchaser in relation to the acquisition of a property by P.B. Two from Dr. Chan at the consideration of HK\$2.98 million;
- (b) a back-to-back guarantee renewal agreement dated 28 July 2022 and entered into between the Wuhu Subsidiary and Wuhu Haiyuan in relation to the renewal of the financial guarantee (the “**Guarantee**”) to Wuhu Haiyuan for procuring it to obtain the loan provided by the lending bank with principal amount of RMB19 million;
- (c) the contract dated 29 July 2022 entered between Wuhu Subsidiary and Huishang Bank (徽商銀行) in relation to the pledge (“**Pledge**”) of RMB20.0 million;
- (d) the back-to-back guarantee agreement dated 28 July 2023 and entered into between the Wuhu Subsidiary and Wuhu Haiyuan in relation to the renewal of the Guarantee;
- (e) the contract dated 28 July 2023 entered between Wuhu Subsidiary and Huishang Bank (徽商銀行) in relation to the Pledge; and
- (f) the Construction Agreements.

#### (7) MISCELLANEOUS

- (a) The secretary of the Company is Ms. CHIK Wai Chun. She is an associate member of The Hong Kong Chartered Governance Institute and The Institute of Chartered Secretaries and Administrators. She is also a member of the Hong Kong Institute of Certified Public Accountants and The Certified Public Accountants Australia. She holds a Master of Corporate Governance degree from The Hong Kong Polytechnic University.
- (b) The registered office of the Company is at 71 Fort Street, P.O. Box 500, George Town, Grand Cayman KY1-1106, Cayman Islands.

- (c) The head office and principal place of business of the Company in Hong Kong is at Room 1601, 16/F, Park Commercial Centre, 180 Tung Lo Wan Road, Causeway Bay, Hong Kong.
- (d) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (e) The compliance officer of the Company is Dr. CHAN Man Fung, the executive Director of the Company.
- (f) The audit committee of the Company was established on 12 December 2015 with written terms of reference in accordance with Rule 5.28 of the GEM Listing Rules and in compliance with paragraphs D.3.1 to D.3.7 of the Corporate Governance Code as set out in Appendix C1 to the GEM Listing Rules. The primary duties of the audit committee include, among others, to make recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and handling any questions of their resignation or dismissal of that auditor, to review the Group's financial statements and the annual, interim report, and quarterly reports (if any), to review the Group's financial and accounting policies and practices and to review the Group's financial controls, and risk management and internal control system. The audit committee currently consists of three independent non-executive Directors, namely Mr. CHAN Ka Wai, Mr. CHOW Chi Hang Tony and Dr. KWOK Hiu Fung, and is chaired by Mr. CHAN Ka Wai.

Mr. CHAN Ka Wai (“**Mr. Chan**”), aged 37, was appointed as an independent non-executive Director on 6 October 2023. He is the chairman of each of the audit committee and remuneration committee of the Company and the member of the nomination committee of the Company. Mr. Chan holds a Bachelor of Business Administration degree in Accounting and Information Systems from The Hong Kong University of Science and Technology and a Master of Corporate Governance degree from The Hong Kong Polytechnic University. Mr. Chan is a fellow member of The Hong Kong Institute of Certified Public Accountants and holds a practising certificate issued by the Accounting and Financial Reporting Council. Mr. Chan is also a fellow member of The Association of Chartered Certified Accountants, a member of The Institute of Chartered Accountants in England and Wales, a Certified Internal Auditor and a Certified Information Systems Auditor. Mr. Chan has over 15 years of working experience in the field of accounting and finance. He is currently a partner of an accounting firm. Prior to that, Mr. Chan worked for several listed companies and professional bodies, and has extensive experience in financial reporting, auditing and internal control.

Mr. CHOW Chi Hang Tony (“**Mr. Chow**”), aged 32, was appointed as an independent non-executive Director on 9 January 2018. He is the chairman of nomination committee of the Company and the member of each of the audit committee and remuneration committee of the Company. Mr. Chow obtained a degree of Bachelor of Laws and a Postgraduate Certificate in Laws from The Chinese University of Hong Kong in 2014 and 2015 respectively. Mr. Chow is currently a practicing Barrister-At-Law in Hong Kong practicing in both civil and criminal litigation. Mr. Chow is currently an independent non-executive director of Bonny International Holding Limited (Stock code: 1906), whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Dr. KWOK Hiu Fung (“**Dr. Kwok**”), aged 41, was appointed as an independent non-executive Director on 23 September 2022. He is the member of each of the audit committee, nomination committee and remuneration committee of the Company. Dr. Kwok graduated with a bachelor degree in Clinical Medicine from Peking University Health Science Center (北京大學醫學部) and followed by his study in medicine, he obtained a Diploma in Advances in Medicine (Dip Med) from The Chinese University of Hong Kong. Dr. Kwok has over 16 years of experience in the medical industry and had served in various hospitals and medical centres. He is currently the Medical Director & General Practitioner of a private clinic.

(g) The English text of this circular shall prevail over the Chinese text.

**(8) DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.thepbs.com](http://www.thepbs.com)) from the date of this circular until 14 days hereafter:

- the material contracts referred to in the paragraph headed “Material Contracts” above in this Appendix.