

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)

2022 INTERIM RESULTS ANNOUNCEMENT

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

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

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

*This announcement, for which the directors (the “**Directors**”) 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 announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

This announcement, containing the full text of the 2022 interim report of the Company, complies with the relevant requirements of the GEM Listing Rules of Stock Exchange in relation to information to accompany preliminary announcements of the interim results. This 2022 interim results announcement of the Company is available for viewing on the websites of Stock Exchanges at www.hkex.com.hk and of the Company at www.thepbg.com.

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

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

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.

CONTENTS

Corporate Information	3
Management Discussion and Analysis	5
Corporate Governance and Other Information	24
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	32
Condensed Consolidated Statement of Financial Position	33
Condensed Consolidated Statement of Changes in Equity	35
Condensed Consolidated Statement of Cash Flows	37
Notes to the Condensed Consolidated Interim Financial Statements	38

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

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

Mr. SU Chun Xiang

Mr. PANG Ho Yin

Independent Non-executive Directors

Mr. YIP Chong Ho Eric

Mr. CHOW Chi Hang Tony

Mr. ZHANG Kun

(retired on 24 June 2022)

AUTHORISED REPRESENTATIVES

Dr. CHAN Man Fung

Ms. CHIK Wai Chun

COMPANY SECRETARY

Ms. CHIK Wai Chun

COMPLIANCE OFFICER

Mr. SU Chun Xiang

AUDIT COMMITTEE

Mr. YIP Chong Ho Eric (*Chairman*)

Mr. CHOW Chi Hang Tony

Mr. ZHANG Kun

(retired on 24 June 2022)

NOMINATION COMMITTEE

Mr. CHOW Chi Hang Tony (*Chairman*)

Mr. YIP Chong Ho Eric

Mr. ZHANG Kun

(retired on 24 June 2022)

REMUNERATION COMMITTEE

Mr. YIP Chong Ho Eric (*Chairman*)

Mr. CHOW Chi Hang Tony

Mr. ZHANG Kun

(retired on 24 June 2022)

AUDITORS

BDO Limited

25th Floor

Wing On Centre

111 Connaught Road Central

Hong Kong

REGISTERED OFFICE

71 Fort Street

P.O. Box 500, George Town

Grand Cayman KY1-1106

Cayman Islands

HONG KONG OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

COMPANY'S WEBSITE

www.thepbg.com

COMPANY'S STOCK CODE

8331.HK

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong
(With effect from 15 August 2022)
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

LEGAL ADVISER

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

PRINCIPAL BANKERS

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Bentonite Mining

China's economy grew 0.4 percent year-on-year in the second quarter of 2022, posting 2.5 percent growth in the first half of the year, as the China's economy was battered by a surge in COVID-19 cases in Shanghai and other manufacturing hubs in eastern China.

In early 2022, COVID-19 resurged and spread rapidly in the major cities of China. The government implemented strict epidemic prevention measures to control and curb the spread of virus, such as lockdowns of various cities and requirements to observe home quarantine. These stringent measures brought some negative effects to the production and the logistics across cities. The situation was worsened by the government steps to curb overcapacity in the iron and steel industry. This resulted in a drop in the downstream demand for pelletising clay. Despite this, the management was successful in expanding the customer base of drilling mud, which set off the drop in the sales pelletising clay. The Group still recorded an increase in revenue as compared to the corresponding period in 2021 despite a slight drop in gross profit margin. In the second half of the year, the management will reinforce its efforts to ensure safety in production of mine, improve efficiency in production and lower production cost.

Financial Services

Apart from the production and sale of bentonite products in the People's Republic of China (the "PRC"), the Group has also carried out its business on financial services in Hong Kong through its wholly-owned subsidiaries – P.B. Nikyo Wealth Management Limited (formerly known as Nikyo Insurance Brokers Limited) ("P.B. Nikyo") and P.B. Credit Limited (formerly known as P.B. Investment limited) ("P.B. Credit") as well as generating financial guarantee fee income through Wuhu Feishang Nonmetal Materials Co., Limited* (蕪湖飛尚非金屬材料有限公司), a wholly-owned subsidiary of the Group in the PRC. The financial services of the Group include the wealth management services, money lending business and financial guarantee fee income. P.B. Nikyo is a company incorporated in Hong Kong with limited liability and is a licensed insurance intermediary under the Insurance Ordinance (Cap. 41 of the Laws of Hong Kong). It is also registered as an MPF Corporate Intermediary with the Mandatory Provident Fund Schemes Authority in accordance with the Mandatory Provident Fund Intermediary Certificate issued by the Mandatory Provident Fund Schemes Authority. P.B. Credit is a company incorporated in Hong Kong with limited liability and has been carried on business as a money lender under the Money Lenders Ordinance.

Wealth Management Services

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

Nevertheless, we strived to navigate our businesses of wealth management services during this challenging period. Our immediate priority was to ensure the safety of our employee while providing uninterrupted service to our customers, agents and business partners. We strive to develop Hong Kong's domestic customer market, because of containment measures limiting face-to-face sales, we develop more communication channel such as telephone, web-meeting and so on. We also coordinated with our business partner and optimize the business flow with agency force as well as administrative support. Our agency team member continued to boost the recovery in sales momentum in Hong Kong's domestic customer markets.

Key performance indicator of wealth management services

		Six months ended 30 June		
		2022	2021	Change
Value of new business (note 1)	<i>HK\$'000</i>	1,593	1,216	31.0%
Persistency Rate of insurance policy	<i>Percentage</i>	99.7	99.0	0.7%
Agency force	<i>Number of agent</i>	46	43	7.0%

Note 1:

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

Our agency team member continued to grow and achieved approximately 7% growth in agency force, supported by a shift to online recruitment, onboarding and training. These arrangements supported the recovery in sales momentum in Hong Kong's domestic customer markets. As a result, we see our business regaining good momentum and we achieved approximately 31.0% growth of value of new business for the long-term business of insurance brokerage for Reporting Period comparing to the corresponding period in 2021.

Money Lending Business

Hong Kong's GDP contracted by 1.4% in the second quarter of 2022 from a year earlier together the private consumption has no change in real terms in the second quarter from a year earlier. At the same time, the seasonally adjusted unemployment rate dropped by 0.4% from 5.1% in March – May 2022 to 4.7% in April – June 2022. The economic activities and business sentiment have been affected by COVID-19. Along with the high inflation rate in U.S.A., the Federal Reserve System (the "Fed") has raised the interest rate by 75 basis points from 0.75% – 1% to 1.5% – 1.75% during the Reporting Period. Accordingly, HIBOR has also rise sharply from 0.15% at the beginning of the Reporting Period to 0.87% at the end of the Reporting Period. The banks' attitudes have become more conservative under the worsened economic environment so that more enterprises and individuals which may have difficulty in obtaining funding of loans from commercial banks. This may provide potential opportunities for licensed money lenders. Under the weakening economy in Hong Kong, the Group has become more cautious to expand the money lending business and to adopt measures and procedures to optimize the risks profile of loans. In addition, the Company has applied the proceeds from the right issues in 2021 for supporting the expansion of the money lending business of the Group, the loan interest income has an approximately 121.5% growth from approximately CNY554,000 for the six months ended 30 June 2021 to approximately CNY1,227,000 for the Reporting Period.

Property Investment

In April 2022, P.B. Two (Hong Kong) Limited, a wholly owned subsidiary of the Company ("P.B. Two") acquired a property at the consideration of HK\$2,980,000. The Group holds the property for investment purpose and has lease out the property for rental income. Therefore, the acquisition offers the Group an appealing property investment opportunity for generating stable rental income and gaining from long-term capital appreciation. The rental income derived from the investment property is approximately CNY\$7,000 during the Reporting Period (2021: Nil).

Business Strategies Review with Progress of Implementation

The Group aims to strengthen its market position for bentonite Mining business in the PRC. In order to achieve this objective, the Group intends to pursue the following strategies. The following table sets out the Group's business strategies as disclosed in the 2021 Annual Report with the actual progress of implementation as at 30 June 2022.

Business Strategy	Implementation Plan	Progress of Implementation as of 30 June 2022
Broaden customer base and develop product recognition	<ul style="list-style-type: none"> (i) Collaborating with external institutions in the PRC for the development of new technologies and new bentonite products to cater for high-valued downstream markets other than iron ore pelletising and civil engineering; (ii) attending and participating in industry forums and events to network with other industry professionals and potential customers; and (iii) expanding sales and marketing team to further enhance sales and marketing activities. 	<ul style="list-style-type: none"> (i) The Group has completed techno-economic viability study of two new bentonite products as mentioned below. The external institutions are currently conducting laboratory-scale testing of the two products. In addition, the internal research and development team was working on the multifunctional pelletising clay; and it was also working with the external institutions on the techno-economic viability of several other new bentonite products and processing technologies; (ii) The management team had attended and participated in an industry seminar and established contacts with several industry experts and potential customers to explore cooperation opportunities and there were three new drilling mud customers and two pelletising clay customers starting their purchase with the Group in 2019; and (iii) The Group was in the process of recruiting more experienced personnel for sales and marketing.
Development of new production technology and new products	Signing collaboration agreements with two universities and one research institute.	Completed techno-economic viability study of two new products: (a) polyaniline/montmorillonite nano-composite conductive coating materials; and (b) titanium dioxide/montmorillonite nano-composite materials and photocatalytic. Since the research results were not as expected, the development of these two new products has been terminated. The Group is searching for other suitable new technologies.
Recruitment of more talents	Recruiting more experienced personnel who possess abundant knowledge and rich experience in various aspects of the business, including mine design and construction, mining, processing, sales and marketing and research and development of principal products.	The Group was in the process of recruiting more experienced personnel for processing, sales and marketing, and research and development.

Business Strategy	Implementation Plan	Progress of Implementation as of 30 June 2022
Acquisition of other non-metal mines	Evaluating any potential targets meeting the criteria when opportunities arise.	The Company entered MOU with the Potential Vendor to acquire certain equity interest in a company in the PRC principally engaging in mining, processing and sales of black marble (dolerite) mine on 14 February 2017. As per the result of the Company's internal assessment, the acquisition is not viable and is abandoned.
Improvement of plant and equipment	Upgrading current processing plant by, among others, purchasing new processing equipment such as Raymond mill, modifying the rotary drum dryer and construction of new storage bins for storing pelletising clay.	<p>Completed the feeding system for one pelletising clay production line;</p> <p>Completed the construction of new storage facilities for pelletising clay;</p> <p>Completed the expansion of storage facilities for dried bentonite ore to be processed into drilling mud;</p> <p>Replaced the old forklift truck;</p> <p>Replaced a transformer in the processing plant;</p> <p>Completed the modification of existing rotary drum dryer;</p> <p>Purchased one new flour mill;</p> <p>Completed the modification of existing transformer room;</p> <p>Purchased one electric motor and one electric belt scale;</p> <p>Purchased and completed the construction of two new storage tanks;</p> <p>Purchased one flour mill and fittings of the machine;</p> <p>Purchased two forklifts;</p> <p>Purchased one transformer;</p> <p>Purchased one dedusting machine;</p> <p>Purchased one oil-immersed power transformer;</p> <p>Purchased one vacuum circuit breaker;</p> <p>Purchased one 5R Raymond Mill;</p> <p>Purchased one analysis machine; and</p> <p>Purchased one Mixing drum.</p>

Mine Property Summary

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

Location	Huanghu Bentonite Mine Fanchang county, Wuhu city, Anhui province
Equity Interest held by the Group	100%
Date of initial commercial production	Commercial production of pelletising clay in 2004 and drilling mud in 2010
Permitted mining right area	2,1311 km ²
Mining method	Open-pit
Mining depth/elevation limit	From 57 mASL to -23 mASL
Permitted annual production capacity	230,000 m ³ (equivalent to approximately 400,000 tonnes)
Validity period of current licence	9 March 2022 to 9 March 2023
Reserve data (as of 31 December 2020) <i>(Note 1)</i>	Dry
Proved reserve <i>(metric tonnes)</i>	1,720,000
Probable reserve <i>(metric tonnes)</i>	4,724,000
Total <i>(metric tonnes)</i>	6,444,000
Reserve data (as of 30 June 2022) <i>(Note 2)</i>	Dry
Proved reserve <i>(metric tonnes)</i>	1,538,000
Probable reserve <i>(metric tonnes)</i>	4,539,000
Total <i>(metric tonnes)</i>	6,077,000
Average quality of bentonite	
Active montmorillonite	47.0%
Colloid index	61.1 ml/15g
Swelling capacity	8.7 ml/g
Capital expenditure for the six months ended 30 June 2022	CNY9,000
Output for the six months ended 30 June 2022 <i>(metric tonnes)</i>	59,500

Notes:

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

- (2) The reserve data as of 30 June 2022 has been substantiated by the Group's internal expert by adjusting those reserve extracted by the Group's mining activities from January 2021 to June 2022 from the proved reserve figure as of 31 December 2020. All assumptions and technical parameters set out in the SRK report have not been materially changed and are continued to apply to the reserve data as of 30 June 2022.
- (3) There is no exploration activity carried out by the Group during the Reporting Period.

Compliance

As at 30 June 2022, as stated in "Business – Legal proceedings and regulatory compliance – Regulatory non-compliance" of the Prospectus, in relation to the incidents of non-compliance with the applicable laws and regulations including those relating to environmental protection, land rehabilitation, safety, etc., the Group had already taken remedial actions and implemented relevant internal control measures. All these aspects have been in compliance with applicable laws and regulations as at the date of this report. Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations, in particular, those which have significant impact on the Group.

Risk Management and Internal Control

The Board has overall responsibility for the effective risk management and internal control systems of the Group and is committed to the maintenance of good corporate governance, practices and procedures of the Group. The Board believes that all the major risk factors relevant to the Group have already been listed in "Risk factors" of the Prospectus. As at 30 June 2022 and the date of this report, save as disclosed otherwise, the business environment and regulatory environment in which the Group operates have not witnessed any material change, and internal operations and management and financial operations have been running smoothly, and thereby no other major risk factors need to be disclosed separately. In accordance with the revised Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 15 to the GEM Listing Rules, the Group continuously improves the risk management and internal control systems and updates a number of policies. The Board believes that these measures will strengthen the risk management and internal control systems of the Group.

FUND RAISING ACTIVITIES

Use of Listing Proceeds

In respect of the listing proceeds from the initial public offering of the Company in 2015 was approximately HK\$12.7 million. The listing proceeds of HK\$4.6 million remains unutilised and has been placed as short-term interest-bearing deposit with authorised financial institutes in the PRC.

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

Revised timeline as disclosed in the Company's announcement dated 21 March 2016

	From Listing Date up to 31 December 2015	For the six months ended 30 June 2016	For the six months ended 31 December 2016	For the six months ended 30 June 2017	For the six months ending 31 December 2017	Total net proceeds	Approximate percentage of proceeds	Actual use of net proceeds up to 31 December 2021	Actual use of net proceeds up to the date of this report
	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	%	(HK\$ million)	(HK\$ million)
Development of production technology for new products	-	-	-	-	7.7	7.7	60.6	1.7	3.1 (Note 1)
Improvement of plant and equipment	-	0.4	4.6	-	-	5.0	39.4	5.0	5.0 (Note 2)
Total	-	0.4	4.6	-	7.7	12.7	100.0	6.7	8.1

Notes:

- (1) As at 30 June 2022, the expenditure spending on development and research new products is approximately HK\$3.1 million.

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

The Group intends to utilise the remaining proceeds amount of HK\$4.6 million for the intended uses on or before 31 December 2022.

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

Use of Proceeds from the Rights Issue

In December 2021, the Company successfully raised net proceeds from the Rights Issue (after deduction of professional fees and other related expenses of approximately HK\$1.5 million) of approximately HK\$26.3 million.

The unutilized net proceeds is expected to be used on or before 31 December 2023. As at 30 June 2022, the net proceeds of Rights Issue had been utilised as follows:

	Original allocation of net proceeds		Utilization up to 31 December 2021		Balance as at 31 December 2021		Utilization up to 30 June 2022		Balances as at 30 June 2022	
	CNY		CNY		CNY		CNY		CNY	
	HK\$ (million)	Equivalent (million)	HK\$ (million)	Equivalent (million)	HK\$ (million)	Equivalent (million)	HK\$ (million)	Equivalent (million)	HK\$ (million)	Equivalent (million)
General working capital of the Company in Hong Kong	18.8	15.3	3.0	2.4	15.8	12.9	8.5	6.9	10.3	8.4
Operation and expansion of the wealth management service business	5.6	4.6	3.9	3.2	1.7	1.4	5.6	4.6	-	-
Operation and expansion of the money lending business	1.9	1.5	1.9	1.5	-	-	-	-	-	-

FINANCIAL REVIEW

Revenue

Breakdown of the Group's Revenue

	Six months ended 30 June			
	2022		2021	
	<i>CNY'000</i>	%	<i>CNY'000</i>	%
	(unaudited)		(unaudited)	
Drilling mud	11,434	30.9	9,041	27.4
Pelletising clay	19,974	54.0	19,669	59.6
Total revenue of bentonite mining	31,408	84.9	28,710	87.0
Wealth management services income	3,810	10.3	3,157	9.6
Loan interest income	1,227	3.3	554	1.7
Guarantee service fee income	566	1.5	566	1.7
Total revenue of financial services	5,603	15.1	4,277	13.0
Rental income	7	-	-	-
Total rental income	7	-	-	-
Total revenue	37,018	100	32,987	100

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

	Six months ended 30 June			
	2022		2021	
	Sales volume	Average selling price	Sales volume	Average selling price
	(tonnes)	(CNY/tonne)	<i>(tonnes)</i>	<i>(CNY/tonne)</i>
Drilling mud	24,559	465.6	20,105	449.7
Pelletising clay	35,917	556.1	45,105	436.1

The overall revenue increased by 12.2% from approximately CNY33.0 million for the six months ended 30 June 2021 to approximately CNY37.0 million for the Reporting Period. The increase in revenue was contributed by increase of revenue of bentonite mining and financial services.

The revenue of bentonite mining increased by approximately 9.4% from approximately CNY28.7 million for the six months ended 30 June 2021 to approximately CNY31.4 million for the six months ended 30 June 2022. The increase in revenue of bentonite mining was mainly contributed by 1) the increase in sales volume of drilling mud which was partly offset by the decrease in sales volume of pelletising clay; 2) the increase in average selling price of both drilling mud and pelletising clay.

The revenue of financial services increased by approximately 31.0% from approximately CNY4.3 million for the six months ended 30 June 2021 to approximately CNY5.6 million for the Reporting Period. The increase in revenue of financial services for the Reporting Period was mainly contributed by the increase of approximately 20.7% in wealth management services income and increase of approximately 121.5% in loan interest income comparing to the corresponding period in 2021. The increase of rental income was contributed by the investment property acquired during the Reporting Period. It is expected that the investment property could generate stable rental income and gain from long-term capital appreciation.

Cost of Sales

Breakdown of the Group's Cost of Sales

Cost Items	Six months ended 30 June			
	2022		2021	
	CNY'000	%	CNY'000	%
	(unaudited)		(unaudited)	
Extraction costs	732	3.5	497	2.8
Processing costs				
– Air-drying costs	1,079	5.2	1,033	5.9
– Consumables, materials and supplies	6,824	32.8	3,707	21.1
– Depreciation and amortisation	612	2.9	732	4.2
– Staff costs	2,379	11.4	2,701	15.4
– Transportation costs	1,928	9.3	2,103	12.0
– Utility costs	2,456	11.8	2,199	12.5
– Others	931	4.5	1,142	6.4
Sales tax and surcharges	975	4.7	949	5.4
Total cost of bentonite mining	17,916	86.1	15,063	85.7
Commission expense of wealth management services	2,898	13.9	2,510	14.3
Total cost of financial services	2,898	13.9	2,510	14.3
Total cost	20,814	100	17,573	100.0

Breakdown of the Group's Cost of Sales of Bentonite Mining by Products

	Six months ended 30 June					
	2022			2021		
CNY/tonne	CNY'000	%	CNY/tonne	CNY'000	%	
	(unaudited)			(unaudited)		
Drilling mud	278.2	6,833	38.1	221.0	4,437	29.5
Pelletising clay	308.6	11,083	61.9	236.0	10,626	70.5
	17,916	100		15,063	100.0	

The overall cost of sales increased by 18.4% from approximately CNY17.6 million for the six months ended 30 June 2021 to approximately CNY20.8 million for the Reporting Period. The increase in cost of sales was caused by the increase of commission expenses of wealth management services and the increased sales volume from bentonite mining business.

The total cost of sales of bentonite mining increased by approximately 18.9% from approximately CNY15.1 million for the six months ended 30 June 2021 to approximately CNY17.9 million for the Reporting Period. The increase in total cost of sales was mainly caused by the increase in unit processing cost of both drilling mud and pelletising clay. The reason for the increase in unit processing costs was the increase of cost of consumables, materials and supplies.

Cost of sales for drilling mud increased by approximately 54.0% from approximately CNY4.4 million for the six months ended 30 June 2021 to approximately CNY6.8 million for the Reporting Period. The increase in cost of sales for drilling mud was mainly due to the increase in sales volume by approximately 22.2% and the increase in unit processing cost by 25.9% compared to the corresponding period in 2021.

Cost of sales for pelletising clay increased by approximately 4.3% from approximately CNY10.6 million for the six months ended 30 June 2021 to approximately CNY11.1 million for the Reporting Period. The increase in cost of sales for pelletising clay was due to 1) the increase in unit processing cost of pelletising clay by approximately 30.7% from approximately CNY236 per tonne for the six month ended 30 June 2021 to approximately CNY309 per tonne for the six month ended 30 June 2022; 2) the decrease in sales volume by approximately 20.4% compared to the corresponding period in 2021.

The commission expense of wealth management services increased by approximately 15.5% from approximately CNY2.5 million for the six months ended 30 June 2021 to approximately CNY2.9 million for the Reporting Period. The increase in the commission expense of wealth management services mainly caused by the increase of approximately 20.7% in revenue of wealth management services income for the Reporting Period comparing to the corresponding period in 2021.

Gross Profit and Gross Profit Margin

Gross Profit and Gross Margin

Breakdown of the Group's Gross Profit and Gross Profit Margin

	2022		2021	
	Gross profit CNY'000 (unaudited)	Gross profit margin %	Gross profit CNY'000 (unaudited)	Gross profit margin %
Drilling mud	4,601	40.2	4,604	50.9
Pelletising clay	8,891	44.5	9,043	46.0
Bentonite Mining	13,492	43.0	13,647	47.5
Wealth management services	912	23.9	647	20.5
Loan interest income	1,227	100.0	554	100.0
Guarantee services fee income	566	100.0	566	100.0
Financial services	2,705	48.3	1,767	41.3
Rental income	7	100	-	-
Total	16,204	43.8	15,414	46.7

The overall gross profit increased by approximately 5.1% from approximately CNY15.4 million for the six months ended 30 June 2021 to approximately CNY16.2 million for the Reporting Period, while the overall gross profit margin decreased from approximately 46.7% for the six months ended 30 June 2021 to approximately 43.8% for the Reporting Period. The decrease in overall gross profit margin was mainly due to the combined effect of (i) the decrease in gross profit margin of bentonite mining business and (ii) the increase of gross profit margin of financial services business.

Gross profit for the sale of drilling mud was almost flat in this reporting period. While the gross profit margin for the sale of drilling mud decreased from approximately 50.9% in 2021 to approximately 40.2% in 2022. The steady in gross profit for the sale of drilling mud was mainly due to the increase of sales volume by approximately 22.2% and the adverse effect on raised unit cost. The decrease in gross profit margin was attributed to increase in unit cost of drilling mud by approximately 25.9% from approximately CNY221.0 per tonne in 2021 to approximately CNY278.2 per tonne in 2022. The reasons for the increase in unit cost of drilling mud had been discussed above.

Gross profit for the sale of pelletising clay decreased by approximately 1.7% from approximately CNY9.0 million for the six months ended 30 June 2021 to approximately CNY8.9 million for the Reporting Period, while the gross profit margin for the sale of pelletising clay decreased from approximately 46.0% for the six months ended 30 June 2021 to approximately 44.5% for the Reporting Period. The slight decrease in gross profit margin for the sale of pelletising clay was contributed by to (i) decrease in the sale volume by approximately 20.4% from approximately 45,000 tonnes for the six months ended 30 June 2021 to approximately 36,000 tonnes for the Reporting Period; and (ii) increase in unit cost of pelletising clay by approximately 30.7% from approximately CNY236.0 per tonne for the six months ended 30 June 2021 to approximately CNY308.6 per tonne for the Reporting Period.

The increase of gross profit of financial services was contributed by the increase of gross profit of wealth management services and loan interest income. Gross profit for the wealth management services increased by approximately 41.0% from approximately CNY647,000 for the six months ended 30 June 2021 to CNY912,000 for the Reporting Period, while the gross profit margin of wealth management services also increased from approximately 20.5% for the six month ended 30 June 2021 to approximately 23.9% for the Reporting Period.

Other Income

Other income decreased by approximately CNY279,000 from approximately CNY676,000 for the six months ended 30 June 2021 to approximately CNY397,000 for the Reporting Period. The decrease was mainly attributed to the decrease in bank interest income.

Selling and Distribution Expenses

The selling and distribution expenses decreased by approximately 32.6% from approximately CNY5.1 million for the six months ended 30 June 2021 to approximately CNY3.5 million for the Reporting Period. This was primarily due to the decrease in sales volume of pelletising clay for the Reporting Period.

Administrative and Other Expenses

The administrative and other expenses slightly increased by approximately 1.7% from approximately CNY10.8 million for the six months ended 30 June 2021 to approximately CNY10.9 million for the Reporting Period. There is no significant change in administrative and other expenses for the Reporting Period.

Finance Costs

The finance costs decreased by approximately 16.3% from approximately CNY288,000 for the six months ended 30 June 2021 to approximately CNY241,000 for the Reporting Period. The decrease was mainly due to the decrease of lease interest expenses.

Income Tax Expense

The Group had an income tax expense of approximately CNY695,000 for the Reporting Period as compared to approximately CNY511,000 for the six months ended 30 June 2021. The increase was mainly due to an increase in the profit before tax from Wuhu Feishang Non-metallic Material Company Limited, the indirect wholly-owned subsidiary of the Company.

Profit/(Loss) for the Period

Due to the combined effect of the aforesaid factors, the profit for the period attributable to the owners of the Company for the Reporting Period was approximately CNY1.0 million, an increase of approximately CNY1.6 million from the loss for the period of approximately CNY0.6 million for the six months ended 30 June 2021.

Currency Exposure and Management

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

Contingent Liabilities

As at 30 June 2022, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group employed 122 full time employees (as at 30 June 2021: 106) for its principal activities. Employees' costs (including Directors' emoluments) amounted to CNY8.6 million for the Reporting Period (six months ended 30 June 2021: CNY7.2 million). The Group recognises the importance of retaining high calibre and competent staff and continues to provide remuneration packages to employees with reference to the performance of the Group, the performance of individuals and prevailing market rates. Other various benefits, such as medical and retirement benefits, are also provided. In addition, share options may be granted to eligible employees of the Group in accordance with the terms of the share option scheme adopted by the Company.

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 and 28 July 2022 in relation to the provisional of financial guarantee services. A Renewal Agreement to renew the Back-to-back Guarantee Agreement was entered by Wuhu Feishang Non-metal Material Co., Limited* (蕪湖飛尚非金屬材料有限公司), a wholly-owned subsidiary of the Company established in the PRC (the "Wuhu Subsidiary"), pursuant to which the Wuhu Subsidiary has agreed to provide financial guarantee to the Borrower by means of pledging its deposit in the sum of CNY20 million for procuring the Borrower to obtain the loan of CNY19 million provided by the lending bank. In return, the Wuhu Subsidiary shall receive a guarantee fee of 6% of the amount of deposit pledged by the Wuhu Subsidiary. The Board considers that the Group has surplus cash in CNY in excess of the working capital needs for its business operation in the PRC. The provision of Guarantee in favour of the Borrower will better utilize the Group's surplus cash with reasonable return.

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

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

In accordance with Rule 19.44 of the GEM Listing Rules, a written Shareholders' approval from Dr. Chan and P.B. Asia has been obtained and accepted in lieu of holding a general meeting of the Company to approve the terms of, and the transactions contemplated, under the Renewal Agreement. As such, no general meeting of the Company will be convened.

A circular of the Company containing, among other matters, details of the Renewal Agreement and the transactions contemplated thereunder, and other information as required under Rule 19.41(a) of the GEM Listing Rules, is expected to be despatched to the Shareholders on or before 18 August 2022.

As save as above, there is no material event undertaken by the Company or the Group subsequent to 30 June 2022 and up to the date of this report.

OUTLOOK

Due to the outbreak of COVID-19 in early 2022 in major cities of the PRC, the Chinese economy will inevitably face more challenges and further slow down. Within the bentonite industry, uncertainties brought by the Russo-Ukrainian War, the outbreak of COVID-19 in the mainland in early 2022 and international trade conflicts will cause market competition to further intensify and prices to fluctuate. Meanwhile, the new series of real estate market regulation and control policies and the PRC's ambitious target to achieve carbon neutrality by 2060 are expected to adversely affect the iron and steel and the traditional energy industries in the long term, which will negatively impact the Group's business by imposing pressures on demand for pelletising clay and drilling mud. The Group strives to maintain the sales volume of its bentonite products by improving product quality and adhering to the "selling more with lower margin" strategy, and yet the Group may not be able to maintain the current level of gross profit margin in the long run. The Group intends to continue expanding its customer base and market share by boosting product awareness of its bentonite products, refining its production technology and developing new products with a view to enhance the Group's overall competitiveness to cope with the risks and uncertainties of the business environment.

As Hong Kong's exit strategy for COVID-19 needs to balance virus risks and reopening of border, the Group expects that the business environment in financial services, would remain challenging in the year 2022. However, with the expectation of increasing awareness in wealth management in recent years, as well as the probable easing of travel restrictions between Hong Kong and Mainland China eventually, the Group remains cautiously optimistic in the medium and long-term development of this business segment in Hong Kong. Meanwhile, the Group will cautiously monitor market change and impose robust control measures to improve cost efficiency and risk management in order to provide a solid foundation for sustainable growth in the future.

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 currently comprises two independent non-executive Directors, namely, Mr. YIP Chong Ho Eric (chairman of Audit Committee), Mr. CHOW Chi Hang Tony and Mr. ZHANG Kun (retired on 24 June 2022). The Audit Committee meets regularly with the Company’s senior management and the Company’s auditors to consider the Company’s financial reporting process, the effectiveness of internal controls, the audit process and risk management.

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

APPRECIATION

The Board would like to take this opportunity to express its appreciation to the staff and management team of the Group for their hard work and dedication during the Reporting Period. The Board would also like to express its sincere gratitude to all the shareholders of the Company for their continuous support.

By Order of the Board

P.B. Group Limited
CHAN Man Fung

Executive Director and Co-chairman

Hong Kong, 12 August 2022

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2022, 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 which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"), or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of substantial shareholders	Long/short position	Capacity	Number of Shares	Percentage of the issued Shares (%)
Mr. Zhang Qiang	Long position	Beneficial owner	27,500,000	17.28
Ms. Wang Jie (<i>Note 1</i>)	Long position	Interest of spouse	27,500,000	17.28
P.B. Capital Advanced Fund SPC – P.B. Capital Advance Fund 1 Segregated Portfolio	Long position	Beneficial owner	11,176,200	7.02
P.B. Asia Holdings Limited	Long position	Beneficial owner	80,925,690	50.86

Notes:

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 2022, no other interests or short positions in the shares or underlying shares of the Company were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

As at 30 June 2022, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director or chief executive is taken or deemed to have under such provisions of the SFO) or which were required to be entered into the register required to be kept by the Company under section 352 of the SFO or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard of Dealings"), were set out below:

Name of Directors or chief executives	Long/Short position	Capacity	Number of Shares	Notes	Percentage of the issued shares (%)
CHAN Man Fung	Long Position	Interests of a controlled corporation	80,925,690	1	50.86
	Long Position	Beneficial owner	6,682,000		4.20
			87,607,690		55.06
PUI Wai Lun	Long Position	Interests of a controlled corporation	80,925,690	1	50.86

Notes:

1. P.B. Asia Holdings Limited is owned as to 50% by Dr. CHAN Man Fung and 50% by Mr. PUI Wai Lun. By virtue of the SFO, Dr. CHAN Man Fung and Mr. PUI Wai Lun are deemed to be interested in these 80,925,690 Shares.

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

CORPORATE GOVERNANCE CODE

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

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

DIRECTORS' INTERESTS 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 the Cayman Islands.

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

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

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

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

DISCLOSURE OF CHANGE OF DIRECTORS' INFORMATION

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the changes in the information of Directors of the Company since 31 December 2021 and up to the date of this report are as follows:

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

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

PUBLIC FLOAT

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

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Reporting Period (six months ended 30 June 2021: Nil).

OTHER INFORMATION

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

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

According to the audited financial statements of Target Company dated 25 March 2022, the revenue of the Target Company for the year ended 31 December 2021 was approximately HK\$10.2 million, which is less than the 2021 Performance Target of HK\$19 million (the "Shortfall"). The Vendors and the Guarantors shall make a compensation of approximately HK\$8.8 million to the Group (the "Compensation"). Having considered the Shortfall was mainly due to (i) the unexpected circumstances caused by COVID-19 resulting in border restrictions between Mainland China and Hong Kong which causing a drop in Mainland China customer's demand of insurance and wealth management services and (ii) in consideration of the travel restriction abroad to Mainland China resulting in a delay in the flow of funds for the Vendor and the Guarantors in Mainland China, on 13 May 2022, the Company, the Vendors and the Guarantors have mutually agreed to extend the time for the settlement of the Compensation on or before 31 July 2022.

Up to the date of this report, the Compensation remains unsettled due to ongoing border restrictions between Mainland China and Hong Kong. Notwithstanding the continuance of border restrictions, further discussions were made between the Company with the Vendors and the Guarantors, on 12 August 2022, the Vendors and the Guarantors had agreed to settle the Compensation on or before 30 September 2022.

Further announcement(s) will be made by the Company to keep the Shareholders and potential investors informed of the settlement of the Compensation when appropriate in accordance with the GEM Listing Rules.

The Directors of the Company also confirmed that there is no change to the terms of revenue guarantee as stated in the Agreement since its execution up to the date of this report.

Prepayment to Suppliers

Reference was made to the Company's 2018, 2019, 2020 and 2021 Annual Reports, 2019, 2020 and 2021 Interim Reports, regarding the failure of the suppliers namely Lituo Enterprise (HK) Limited, Trade Rosy Global Limited and Kai Muk Company to refund the trade deposits in the total amount of approximately CNY57.8 million to the Company. The Company has:

- i. instituted legal proceedings against Lituo Enterprise (HK) Limited on 18 October 2018 to recover outstanding deposits amounted to HK\$10,930,000 under High Court Action No. 2449 of 2018. Lituo Enterprise (HK) Limited filed its defence on 28 November 2018. Upon counsel's advice, the Company considered to have taken out summary proceedings against Lituo Enterprise (HK) Limited pursuant to Order 14 of the Rules of High Court, Cap 4A of the Laws of Hong Kong. However, after thoroughly considered the evidence of the case, counsel advised that it would be quite difficult to obtain summary Judgment against Lituo Enterprise (HK) Limited by way of summary proceedings and advised that the case should proceed normally to trial. The Company adopted such advice given by counsel and thereby decided not to proceed to summary proceedings. Accordingly, the Company's legal representatives have followed the normal civil procedures in proceedings. The parties to the proceedings have sought usual order of directions for fixing timeline for the parties to make discovery of documents and exchange of statements of witnesses. On 31 March 2022, the Court made an order nisi giving case management directions and fixed a timetable for the proceedings. The order came into force on 14 April 2022. The parties to the proceedings are in the stage of discovery. The case is in progress;

- ii. instituted legal proceedings against, Lituo Enterprise (HK) Limited and another company (“the 2nd Defendant”) which was the payee designated by Lituo Enterprise (HK) Limited under the underlying contract, to recover outstanding deposits amounted to HK\$35,000,000 under High Court Action No. 2450 of 2018. Lituo Enterprise (HK) Limited filed its defence on 28 November 2018. Whereas the 2nd Defendant, which is incorporated in British Virgin Islands (BVI), has never responded to the case and on 15 May 2020, the court granted final judgment against the 2nd Defendant upon the Company’s application. Thereafter, the Company had appointed BVI lawyers to execute and enforce the Judgement by way of presenting a winding-up petition against the 2nd Defendant; and the Eastern Caribbean Supreme Court in the High Court of Justice Virgin Islands made an order, ordering, inter alia, that the 2nd Defendant be wound up and that Mr. John David Ayres (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 now in the course of locating the asset of the 2nd Defendant in Singapore. The liquidation of the 2nd Defendant is still in progress;

- iii. instituted legal proceedings against Tong Chung Ming trading as Kai Muk Company to recover the remaining balance of a deposit amounted HK\$8,530,000 under High Court Action No. 1767 of 2018. The trial of the case was heard from 7 to 10 December 2020. By a Judgment dated 20 January 2021, it was adjudged that Tong Chung Ming shall pay to the Company the sum of HK\$8,530,000 with interests and costs of the proceedings as well. The Company tends to execute and enforce the Judgment and in January 2021 the Company is seeking leave from the Court to file a Petition against Tong Chung Ming trading as Kai Muk Company. The 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.

As save as above, there is no material event undertaken by the Company or the Group subsequent to 30 June 2022 and up to the date of this report.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	Three months ended 30 June		Six months ended 30 June	
		2022 CNY'000 (Unaudited)	2021 CNY'000 (Unaudited)	2022 CNY'000 (Unaudited)	2021 CNY'000 (Unaudited)
Revenue	3	21,180	17,571	37,018	32,987
Cost of sales		(11,737)	(9,008)	(20,814)	(17,573)
Gross profit		9,443	8,563	16,204	15,414
Other income	4	243	277	397	676
Selling and distribution expenses		(1,426)	(2,531)	(3,452)	(5,122)
Administrative and other expenses		(5,281)	(5,199)	(10,943)	(10,760)
Finance costs	5	(121)	(175)	(241)	(288)
Loss on fair value changes of financial assets at fair value through profit or loss	15	(291)	–	(291)	–
Profit/(loss) before tax		2,567	935	1,674	(80)
Income tax expense	6	(560)	(424)	(695)	(511)
Profit/(loss) for the period		2,007	511	979	(591)
Other comprehensive income/(loss) for the period					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		2,171	(3)	1,862	(17)
Total comprehensive income/(loss) for the period		4,178	508	2,841	(608)
Profit/(loss) for the period attributable to owners of the Company	7	2,007	511	979	(591)
Total comprehensive income/(loss) for the period attributable to owners of the Company		4,178	508	2,841	(608)
			(re-presented)		(re-presented)
Earning/(loss) per share (CNY):					
Basic and diluted	9	1.26 cents	0.59 cents	0.62 cents	(0.68) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		At 30 June 2022 <i>CNY'000</i> (Unaudited)	At 31 December 2021 <i>CNY'000</i> (Audited)
Non-current assets			
Property, plant and equipment	10	14,031	14,855
Right-of-use assets		2,315	2,354
Intangible asset	11	5,072	5,106
Restricted bank balances	13	14,048	13,821
Deferred tax assets		355	324
Investment property	14	2,587	–
		<hr/> 38,408 <hr/>	<hr/> 36,460 <hr/>
Current assets			
Inventories		5,610	4,262
Trade, bills and other receivables	12	76,907	51,780
Financial assets at fair value through profit or loss	15	2,489	–
Pledged bank deposits	13	20,000	20,000
Bank balances and cash	13	18,605	50,624
		<hr/> 123,611 <hr/>	<hr/> 126,666 <hr/>
Current liabilities			
Trade and other payables	16	22,498	26,825
Income tax payables		2,474	2,290
		<hr/> 24,972 <hr/>	<hr/> 29,115 <hr/>
Net current assets		<hr/> 98,639 <hr/>	<hr/> 97,551 <hr/>
Total assets less current liabilities		<hr/> 137,047 <hr/>	<hr/> 134,011 <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

As at 30 June 2022

	At 30 June 2022	At 31 December 2021
<i>Notes</i>	CNY'000 (Unaudited)	<i>CNY'000 (Audited)</i>
Non-current liabilities		
Asset retirement obligations	9,287	9,046
Deferred tax liabilities	22	21
Deferred income	148	195
	9,457	9,262
Net assets	127,590	124,749
Capital and reserves		
Share capital	13,261	13,261
Reserves	114,329	111,488
Total equity	127,590	124,749

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Share capital CNY'000	Share premium CNY'000	Other reserve CNY'000	Statutory reserve CNY'000	Safety fund and production maintenance fund CNY'000	Foreign currency translation reserve CNY'000	Accumulated losses CNY'000	Total CNY'000
At 1 January 2021 (audited)	6,753	130,704	23,351	6,390	1,552	282	(75,714)	93,318
Loss for the period	-	-	-	-	-	-	(591)	(591)
Exchange difference arising on translation of financial statement of foreign operation	-	-	-	-	-	(17)	-	(17)
Other comprehensive loss for the period	-	-	-	-	-	(17)	-	(17)
Total comprehensive loss for the period	-	-	-	-	-	(17)	(591)	(608)
Appropriation to statutory reserve	-	-	-	225	-	-	(225)	-
Appropriation and utilisation of safety fund and production maintenance fund, net	-	-	-	-	86	-	(86)	-
At 30 June 2021 (unaudited)	<u>6,753</u>	<u>130,704</u>	<u>23,351</u>	<u>6,615</u>	<u>1,638</u>	<u>265</u>	<u>(76,616)</u>	<u>92,710</u>
At 1 January 2022 (audited)	13,261	146,974	23,351	7,609	1,694	(182)	(67,958)	124,749
Profit for the period	-	-	-	-	-	-	979	979
Exchange difference arising on translation of financial statement of foreign operation	-	-	-	-	-	1,862	-	1,862
Other comprehensive income for the period	-	-	-	-	-	1,862	-	1,862
Total comprehensive income for the period	-	-	-	-	-	1,862	979	2,841
Appropriation to statutory reserve	-	-	-	412	-	-	(412)	-
Appropriation and utilisation of safety fund and production maintenance fund, net	-	-	-	-	13	-	(13)	-
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>

Notes:

(I) OTHER RESERVE

It represents (a) the capital contribution from the previous controlling shareholder, Mr. Li Feilie of Feishang International Holdings Limited (“Feishang International”) during the fiscal year of 2002 to 2003; and (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 PRC shall set aside/appropriate a portion of its after tax profits of each year to fund statutory reserve. The statutory reserve is not distributable as cash dividends and must be made before distribution of dividend to equity owners.

(III) SAFETY FUND AND PRODUCTION MAINTENANCE FUND

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
<i>Note</i>	CNY'000	CNY'000
	(Unaudited)	(Unaudited)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(26,708)	1,885
NET CASH USED IN INVESTING ACTIVITIES	(5,076)	(282)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(241)	416
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(32,025)	2,019
CASH AND CASH EQUIVALENTS AT 1 JANUARY	49,982	30,883
CASH AND CASH EQUIVALENTS AT 30 JUNE	17,957	32,902

13

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. CORPORATE INFORMATION

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

The address of the registered office of the Company is 71 Fort Street, P.O. Box 500, George Town, Grand Cayman KY1-1106, Cayman Islands and the address of the principal place of business of the Company 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 services business.

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements of the Group for the Reporting Period have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB") and the applicable disclosure requirements of the GEM Listing Rules. The condensed consolidated interim financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements for the six months ended 30 June 2022 are consistent with those adopted in the Group's annual financial statements for the year ended 31 December 2021. The Group has adopted new or revised standards, amendments to standards and interpretations of IFRSs which are effective for accounting periods commencing on or after 1 January 2022. 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.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Cont'd)

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 six months ended 30 June 2021 of the Group are presented in Chinese Yuan ("CNY"), which is also the functional currency of the Company. CNY is the currency of the primary economic environment in which the principal subsidiary of the Company operates (the functional currency of the principal subsidiary).

3. REVENUE AND SEGMENT INFORMATION

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

For management purpose, the Group has 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.

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

	Three months ended 30 June		Six months ended 30 June	
	2022 (unaudited) CNY'000	2021 (unaudited) CNY'000	2022 (unaudited) CNY'000	2021 (unaudited) CNY'000
Drilling mud	5,771	5,631	11,434	9,041
Pelletising clay	12,322	9,824	19,974	19,669
Total revenue of bentonite mining	18,093	15,455	31,408	28,710
Wealth management services income	2,158	1,576	3,810	3,157
Loan interest income	644	257	1,227	554
Guarantee service fee income	278	283	566	566
Total revenue of financial services	3,080	2,116	5,603	4,277
Rental income	7	-	7	-
Total rental income	7	-	7	-
Total revenue	21,180	17,571	37,018	32,987

3. REVENUE AND SEGMENT INFORMATION (Cont'd)

Geographical information

The following table provides an analysis of the Group's revenue from external customers based on geographical location of the customers:

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	CNY'000	CNY'000	CNY'000	CNY'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
PRC excluding Hong Kong	18,371	15,738	31,974	29,276
Hong Kong	2,809	1,833	5,044	3,711
	<u>21,180</u>	<u>17,571</u>	<u>37,018</u>	<u>32,987</u>
Total revenue	21,180	17,571	37,018	32,987

4. OTHER INCOME

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	CNY'000	CNY'000	CNY'000	CNY'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Bank interest income	150	109	214	470
Release of government grant for property, plant and equipment	20	20	40	40
Government grant	8	-	46	-
Others	65	148	97	166
	<u>243</u>	<u>277</u>	<u>397</u>	<u>676</u>
	243	277	397	676

5. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	CNY'000	CNY'000	CNY'000	CNY'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest expenses on lease liability	-	23	-	59
Unwinding of discount on provision for dismantlement	121	152	241	229
	<u>121</u>	<u>175</u>	<u>241</u>	<u>288</u>
	121	175	241	288

6. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2022 CNY'000 (Unaudited)	2021 CNY'000 (Unaudited)	2022 CNY'000 (Unaudited)	2021 CNY'000 (Unaudited)
Current tax:				
PRC Enterprise Income Tax ("EIT")	523	296	727	397
Deferred taxation:				
Current period	37	128	(32)	114
	560	424	695	511

Notes:

- Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.
- No provision for Hong Kong Profits Tax has been made for both periods as the Group did not have any assessable profits subject to Hong Kong Profits Tax.
- Under the Law of the PRC on EIT ("EIT Law") and implementation regulation of the EIT Law, the tax rate of the subsidiaries established in the PRC other than Feishang Material is 25% for both periods.
- Feishang Material was recognised as a High Technology Enterprise and subject to EIT law at 15% for both periods.

7. PROFIT/(LOSS) FOR THE PERIOD

	Three months ended 30 June		Six months ended 30 June	
	2022 CNY'000 (Unaudited)	2021 CNY'000 (Unaudited)	2022 CNY'000 (Unaudited)	2021 CNY'000 (Unaudited)
Profit (loss) for the period has been arrived at after charging:				
Amortisation of intangible asset	18	18	36	36
Amortisation of prepaid lease payments	20	20	39	39
Amount of inventories recognised as an expenses	9,618	7,040	16,940	14,215
Exchange loss/(gain), net	(716)	(14)	(150)	38
Depreciation of property, plant and equipment	487	470	998	1,033
Amortisation of land-use right	102	102	204	204

8. DIVIDEND

No dividend was paid, declared or proposed during the Reporting Period, nor has any dividend been proposed since the end of the Reporting Period (six months ended 30 June 2021: nil).

9. EARNINGS/(LOSS) PER SHARE

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

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	CNY'000	CNY'000	CNY'000	CNY'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Earnings/(loss)				
Earnings/(loss) for the purpose of basic and diluted earnings (loss) per share	<u>2,007</u>	<u>511</u>	<u>979</u>	<u>(591)</u>
	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(re-presented)		(re-presented)
Number of shares				
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share ('000 shares)	<u>159,114</u>	<u>86,790</u>	<u>159,114</u>	<u>86,790</u>
		(re-presented)		(re-presented)
Basic and diluted earnings/(loss) per share (CNY)	<u>1.26 cents</u>	<u>0.59 cents</u>	<u>0.62 cents</u>	<u>(0.68) cents</u>

Note:

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

10. PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, the Group spent approximately CNY8,500 (six months ended 30 June 2021: approximately CNY752,000) on acquisition of property, plant and equipment.

During the Reporting Period, the Group has certain property, plant and equipment with an aggregate carrying values of CNY359,000 (six months ended 30 June 2021: CNY209,000) for no cash proceeds (six months ended 30 June 2021: nil), resulting in a loss on disposal of CNY359,000 (six months ended 30 June 2021: CNY209,000).

11. INTANGIBLE ASSET

During the six months end 30 June 2022, the Group did not spend any expenditure (six months ended 30 June 2021: nil) in relation to the mining site.

12. TRADE, BILLS AND OTHER RECEIVABLES

	At 30 June 2022 CNY'000 (Unaudited)	At 31 December 2021 CNY'000 (Audited)
Trade receivables – goods	10,803	9,133
Trade receivables – wealth management services	1,015	838
Loan and interest receivables	17,140	14,495
Guarantee service fee receivables	1,100	500
Less: loss allowance	(598)	(748)
	29,460	24,218
Bill receivables	15,218	15,201
Prepayments and deposits	8,429	2,254
Other receivables	23,910	10,332
Less: loss allowances	(110)	(225)
	76,907	51,780

As at 30 June 2022 and 31 December 2021, trade receivables from contracts with customers amounted to approximately CNY29,460,000 and CNY24,218,000 respectively.

12. TRADE, BILLS AND OTHER RECEIVABLES (Cont'd)

The Group offers revolving credit to two of its customers amounted approximately CNY900,000 as at 30 June 2022 (31 December 2021: two customers amounted CNY900,000). This revolving credit provides for a predetermined credit limit that may be outstanding at any one time based on their background, credit history, length of business relationship and historical transaction amounts. The Group generally evaluates the credit limits granted to the customer annually upon renewal of the relevant sales agreements and upon special request from the customers. The Group held charges on such customers' vehicles as collaterals over the balance of approximately CNY900,000 as at 30 June 2022 (31 December 2021: CNY900,000). Such collateral is not transferable and rentable and can be realised by the Group at first priority upon the liquidation or deregistration of such customer. For the remaining balances of approximately CNY28,560,000 as at 30 June 2022 (31 December 2021: CNY22,818,000), the Group does not hold any collateral over these amounts.

The Group allows credit period ranging from 5 days upon receipt of invoice to three months from the receipt of goods by or invoices to its trade customers. The following is an ageing analysis of trade receivables, net of allowance for impairment of trade receivables, presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the Reporting Period.

	At 30 June 2022 CNY'000 (Unaudited)	At 31 December 2021 CNY'000 (Audited)
Within 30 days	28,608	22,220
31 to 60 days	138	1,882
61 to 90 days	79	113
Over 90 days	635	3
	<hr/>	<hr/>
Total	<u>29,460</u>	<u>24,218</u>

As at 30 June 2022 and 31 December 2021, all of the bills receivables were aged within 180 days.

13. RESTRICTED BANK BALANCES, PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Restricted bank balances

Restricted bank balances represent restricted cash set aside by the Group in banks placed for the settlement of asset retirement obligations for future environmental rehabilitation. The restricted bank balances carried at prevailing market rates ranging from 0.25% to 3.24% per annum (31 December 2021: 0.01% to 3.24% per annum) during the Reporting Period.

Pledged bank deposits

Pledged fixed deposits represented deposit pledged to banks to secure general banking facilities granted to an independent third party. During the Reporting Period, the bank deposit of CNY20,000,000 (31 December 2021: CNY20,000,000) has been pledged to secure short-term bank borrowing of the independent third party and was therefore classified as current asset. The pledged bank deposits carry interest rates at 1.95% per annum (31 December 2021: 1.95% per annum) and will be released upon the expiry of the relevant banking facilities.

Bank balances and cash

Bank balances and cash include the following for the purposes of the condensed consolidated statement of cash flows:

	At 30 June 2022 CNY'000 (Unaudited)	At 31 December 2021 CNY'000 (Audited)
Cash at bank and in hand	17,957	47,202
Short-term bank deposits	648	3,422
Bank balances and cash shown in the condensed consolidated statement of financial position	18,605	50,624
Less: Bank deposits with a maturity of more than three months	(648)	(642)
Cash and cash equivalents shown in the condensed consolidated statement of cash flows (<i>Note</i>)	17,957	49,982

Note:

Bank balances and bank deposits carried at prevailing market rates ranging from 0.30% to 1.15% per annum during the Reporting Period (31 December 2021: 0.10% to 1.89% per annum).

14. INVESTMENT PROPERTY

	At 30 June 2022 CNY'000 (Unaudited)	At 31 December 2021 CNY'000 (Audited)
Fair value at the beginning of period/year	–	–
Additions	2,544	–
Exchange realignment	43	–
	<hr/>	<hr/>
Fair value at the end of period/year	<u>2,587</u>	<u>–</u>

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2022 CNY'000 (Unaudited)	At 31 December 2021 CNY'000 (Audited)
Equity securities listed in Hong Kong	<u>2,489</u>	<u>–</u>

As at 30 June 2022, the fair values of equity securities listed in Hong Kong were determined based on the quoted market closing prices available on the Stock Exchange. During the six months period ended 30 June 2022, a decrease in fair value of CNY291,000 (six months ended 30 June 2021: Nil) was recognised in profit or loss. During the six months ended 30 June 2022, equity securities listed in Hong Kong of CNY2,780,000 (30 June 2021: Nil) were purchased while no equity securities listed in Hong Kong (30 June 2021: Nil) were disposed. The equity securities were held in a portfolio designated by management of the Group as held for trading and are classified as current asset as at 30 June 2022.

16. TRADE AND OTHER PAYABLES

	At 30 June 2022 CNY'000 (Unaudited)	At 31 December 2021 CNY'000 (Audited)
Trade payables (Note a)	5,550	4,332
Other payables and accruals	16,748	18,917
Contract liabilities (Note b)	200	3,576
	<u>22,498</u>	<u>26,825</u>

(a) Trade payables

The following is an ageing analysis of trade payables presented based on invoice date at the end of the Reporting Period.

	At 30 June 2022 CNY'000 (Unaudited)	At 31 December 2021 CNY'000 (Audited)
Within 30 days	5,449	3,381
31 to 60 days	70	591
61 to 90 days	10	57
91 to 365 days	21	299
Over 1 year	-	4
	<u>5,550</u>	<u>4,332</u>
Total		

The average credit period granted is 30 days.

(b) Contract liabilities

The Group has recognised the following revenue – related to contract liabilities:

	At 30 June 2022 CNY'000 (Unaudited)	At 31 December 2021 CNY'000 (Audited)
Contract liabilities arising from:		
Sales of goods	<u>200</u>	<u>3,576</u>

16. TRADE AND OTHER PAYABLES (Cont'd)

(b) Contract liabilities (Cont'd)

The deposit of the Group received on sales of drilling mud and pelletising clay remains as a contract liability until the date the goods are delivered to customers.

Movements in contract liabilities:

	At 30 June 2022 CNY'000 (Unaudited)	At 31 December 2021 CNY'000 (Audited)
Balance as at 1 January	3,576	469
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(3,576)	(469)
Increase in contract liabilities as a result of receipt in advance of sales of drilling mud and pelletising clay not yet delivered at period/year ended	200	3,576
Balance at 30 June/31 December	<u>200</u>	<u>3,576</u>

17. SHARE CAPITAL

	Number of shares		Share capital <i>(Equivalent to)</i>
		<i>HK\$'000</i>	<i>CNY'000</i>
Ordinary share of HK\$0.1 each			
Authorised			
31 December 2021 and 30 June 2022	<u>1,000,000,000</u>	<u>100,000</u>	
Issued and fully paid			
At 31 December 2021 and 30 June 2022	<u>159,114,400</u>	<u>15,911</u>	<u>13,261</u>

18. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

The Company's share option scheme (the "Scheme"), was adopted pursuant to written resolution of the Company passed on 12 December 2015 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 28 December 2025. Under the Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

No share options have been granted since the adoption of the Scheme and during the Reporting Period (six months ended 30 June 2021: nil).

19. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the condensed consolidated interim financial statements, the Group has entered into the following transactions with related parties.

Compensation to key management personnel

The remuneration of directors of the Company and other members of key management during the period was as follow:

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	CNY'000	CNY'000	CNY'000	CNY'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Short-term benefits	301	341	603	702
Post employment benefit	4	4	8	8
	<u>305</u>	<u>345</u>	<u>611</u>	<u>710</u>

The remuneration of the directors of the Company and key executives is determined with regards to the performance of individuals.

19. RELATED PARTY TRANSACTIONS (Cont'd)

Related party relationship	Notes	Type of transaction	Transaction amount			
			Three months ended		Six months ended	
			30 June 2022 CNY'000 (Unaudited)	2021 CNY'000 (Unaudited)	30 June 2022 CNY'000 (Unaudited)	2021 CNY'000 (Unaudited)
Member of key management personnel	(i)	Accounting fees	124	236	248	473
Director	(ii)	Acquisition of an investment property	2,544	-	2,544	-

Related party relationship	Notes	Type of transaction	Transaction amount	
			30 June 2022 CNY'000 (Unaudited)	31 December 2021 CNY'000 (Audited)
			Director	(iii)

Notes

- (i) Accounting fees were paid to WM Corporate Advisory Limited, a company directly owned by Chief financial officer of the Group. The terms and conditions associated with the accounting fees were made according to the terms and conditions in the agreements signed between the Group and WM Corporate Advisory Limited.
- (ii) The investment property acquired was originally owned by an executive director, Dr. Chan Man Fung.
- (iii) The amounts are unsecured, interest free and has no fixed terms of repayment. The amounts due to directors are amounted at HK\$244,265 as at 30 June 2022 (31 December 2021: HK\$244,265).

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

Hong Kong, 12 August 2022

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) two independent non-executive Directors, namely Mr. YIP Chong Ho Eric and Mr. CHOW Chi Hang Tony.

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 HKEX website at www.hkexnews.hk for at least seven days from the day of its publication. This announcement will also be published on the Company’s website at www.thepbg.com .