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(incorporated in Cayman Islands with limited liability)

(Stock code: 8331)

SECOND INTERIM RESULTS ANNOUNCEMENT FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2022

The board (the “**Board**”) of directors (the “**Directors**”) of P.B. Group Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the twelve months ended 31 December 2022.

This announcement, containing the full text of the 2022 second interim report of the Company for the twelve months ended 31 December 2022 (the “**2022 Second Interim Report**”), complies with the relevant requirements of the Rules Governing the Listing of Securities (“**GEM Listing Rules**”) on the GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in relation to information to accompany preliminary announcement of interim results. The printed version of the 2022 Second Interim Report will be dispatched to the shareholders of the Company and available for viewing on the website of the Stock Exchange and of the Company at www.thepbg.com in due course in the manner as required by the GEM Listing Rules.

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

Hong Kong, 14 February 2023

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

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

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

CHARACTERISTICS OF 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.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

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

Mr. SU Chun Xiang

Mr. PANG Ho Yin

Independent Non-executive Directors

Mr. YIP Chong Ho Eric

Mr. CHOW Chi Hang Tony

Mr. ZHANG Kun

(retired on 24 June 2022)

Dr. KWOK Hiu Fung

(appointed on 23 September 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)

Dr. KWOK Hiu Fung

(appointed on 23 September 2022)

NOMINATION COMMITTEE

Mr. CHOW Chi Hang Tony (*Chairman*)

Mr. YIP Chong Ho Eric

Mr. ZHANG Kun

(retired on 24 June 2022)

Dr. KWOK Hiu Fung

(appointed on 23 September 2022)

REMUNERATION COMMITTEE

Mr. YIP Chong Ho Eric (*Chairman*)

Mr. CHOW Chi Hang Tony

Mr. ZHANG Kun

(retired on 24 June 2022)

Dr. KWOK Hiu Fung

(appointed on 23 September 2022)

AUDITORS

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COMPANY'S STOCK CODE

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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

As announced on 28 December 2022, the Company's financial year end date has been changed to 31 March and the next audited consolidated financial statements will cover a 15-month period from 1 January 2022 to 31 March 2023. This is therefore the second interim report containing the unaudited condensed consolidated results of the Group for the three months and twelve months ended 31 December 2022 (the "Reporting Period").

Bentonite Mining

In 2022, China faced complex and severe domestic and international situations and multiple factors that exceeded expectations, but the national economy has continued to recover despite the pressure. Prudent monetary policy to maintain reasonably sufficient liquidity. China's government implement new policies to cut taxes and fees and strengthen support for micro, small, and medium-sized enterprises, individual businesses, the manufacturing industry, and risk mitigation. Compared with 2021, bentonite raw ore mining in 2022 has developed steadily, and the output value of bentonite deep processing products has further increased. The whole bentonite industry is moving forward steadily. The national measures to reorganize the steel industry have a lasting impact on our sales volume of pelletising clay. Costs of raw materials, freight, and energy that went up have led to a rise in unit processing cost of both drilling mud and pelletising clay. Therefore gross profit margin of bentonite products decreased from 49.3% to 43.9% for the year 2022. The Management has been focusing on expanding customer and market share and maintaining overall revenue growth. The revenue of bentonite mining increased by approximately 4.1% from approximately CNY60.7 million in 2021 to approximately CNY63.2 million in 2022.

Financial Services

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

Wealth Management Services

In the Reporting Period of 2022, the outbreak of COVID-19 and its consequential travel restrictions situation have unfortunately persisted, it stopped new business sales from Mainland Chinese visitors. Moreover, due to severe outbreak of Omicron, the fifth wave of COVID-19, it seriously damaged the new business sales to local customer.

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

| | | Twelve months ended 31 December | | |
|---|------------------------|---------------------------------|-------|--------|
| | | 2022 | 2021 | Change |
| Value of new business (<i>note 1</i>) | <i>HK\$'000</i> | 3,483 | 3,045 | 14.4% |
| Persistency Rate of insurance policy | <i>Percentage</i> | 99.5 | 98.2 | 1.3% |
| Agency force | <i>Number of agent</i> | 52 | 41 | 26.8% |

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 26.8% 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 14.4% growth of value of new business for the long-term business of insurance brokerage for Reporting Period comparing to the corresponding period in 2021.

Money Lending Business

Hong Kong's GDP contracted by 4.5% in the third quarter of 2022 from a year earlier. Overall consumer prices rose by 1.9% in 2022 over a year earlier, slight larger than the corresponding increase (1.6%) in 2021. The labour market improved in fourth quarter of 2022 amid as domestic economic activities continued to revive. The seasonally adjusted unemployment rate dropped from 3.7% in September to November 2022 to 3.5% in October 2022 to December 2022.

Along with the high inflation rate in U.S.A., the rate-setting Federal Open Market Committee voted to boost the overnight borrowing rate half a percentage point, taking it to a targeted range between 4.25% and 4.5%. The increase broke a string of four straight three-quarter point hikes, the most aggressive policy moves since the early 1980s. Accordingly, The Hong Kong Monetary Authority (HKMA) raised the city's base rate by 50 basis points to 4.75%, close to the 5% record last seen in January 2008.

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 49.4% growth from approximately CNY1.7 million for the twelve months ended 31 December 2021 to approximately CNY2.6 million 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\$49,000 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 31 December 2022.

| Business Strategy | Implementation Plan | Progress of Implementation as of 31 December 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 31 December 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;</p> <p>Purchased one Mixing drum; and</p> <p>Purchased one Drying raw soil belt conveyor.</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 31 December 2022) <i>(Note 2)</i> | Dry |
| Proved reserve <i>(metric tonnes)</i> | 1,460,587 |
| Probable reserve <i>(metric tonnes)</i> | 4,539,000 |
| Total <i>(metric tonnes)</i> | 5,999,587 |
| Average quality of bentonite | |
| Active montmorillonite | 47.0% |
| Colloid index | 61.1 ml/15g |
| Swelling capacity | 8.7 ml/g |
| Capital expenditure for the Year | CNY207,699 |
| Output for the Year <i>(metric tonnes)</i> | 137,130 |

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 31 December 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 December 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 31 December 2022.
- (3) There is no exploration activity carried out by the Group during the Reporting Period.

Compliance

As at 31 December 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 31 December 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 | For the six months ended | | For the six months ended | | 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 |
|---|--------------------------|----------------|--------------------------|----------------|--------------------|------------------------------------|---|--|
| | 31 December 2015 | 30 June 2016 | 31 December 2016 | 30 June 2017 | | | | |
| (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 | 1.7 | 5.6 (Note 1) |
| Improvement of plant and equipment | - | 0.4 | 4.6 | - | - | 5.0 | 5.0 | 5.0 (Note 2) |
| Total | - | 0.4 | 4.6 | - | 7.7 | 12.7 | 6.7 | 10.6 |

Notes:

- (1) As at 31 December 2022, the expenditure spending on development and research new products is approximately HK\$5.6 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 spent around HK\$5.6 million on new product development and research up to 31 December 2022. The new products include high-tech certified burst-resistant pelletizing clay and saltwater tolerant drilling mud.

The Group intends to utilise the remaining proceeds amount of HK\$2.1 million for the intended uses on or before 31 March 2024.

- (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 31 December 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 31 December 2022 | | Balances as at 31 December 2022 | |
|---|-------------------------------------|--------------------------|------------------------------------|--------------------------|--------------------------------|--------------------------|------------------------------------|--------------------------|---------------------------------|--------------------------|
| | HK\$ (million) | CNY Equivalent (million) | HK\$ (million) | CNY Equivalent (million) | HK\$ (million) | CNY Equivalent (million) | HK\$ (million) | CNY Equivalent (million) | HK\$ (million) | CNY Equivalent (million) |
| | | | | | | | | | | |
| General working capital of the Company in Hong Kong | 18.8 | 15.3 | 3.0 | 2.4 | 15.8 | 12.9 | 12.7 | 10.3 | 6.1 | 5.0 |
| 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

| | For the twelve months ended 31 December | | | |
|-------------------------------------|---|-------------|----------------|------|
| | 2022 | | 2021 | |
| | <i>CNY'000</i> | % | <i>CNY'000</i> | % |
| | (Unaudited) | | (Audited) | |
| Drilling mud | 23,855 | 31.3 | 22,427 | 31.6 |
| Pelletising clay | 39,333 | 51.7 | 38,251 | 54.0 |
| Total revenue of bentonite mining | 63,188 | 83.0 | 60,678 | 85.6 |
| Wealth management services income | 9,123 | 12.0 | 7,353 | 10.4 |
| Loan interest income | 2,579 | 3.4 | 1,726 | 2.4 |
| Guarantee service fee income | 1,132 | 1.5 | 1,141 | 1.6 |
| Total revenue of financial services | 12,834 | 16.9 | 10,220 | 14.4 |
| Rental income | 49 | 0.1 | - | - |
| Total rental income | 49 | 0.1 | - | - |
| Total revenue | 76,071 | 100 | 70,898 | 100 |

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

| | For the twelve months ended 31 December | | | |
|------------------|--|------------------------------|--------------|-----------------------|
| | 2022 | | 2021 | |
| | Sales volume | Average selling price | Sales volume | Average selling price |
| | (tonnes) | (CNY/tonne) | (tonnes) | (CNY/tonne) |
| Drilling mud | 51,661 | 461.8 | 47,428 | 472.9 |
| Pelletising clay | 71,345 | 551.3 | 92,679 | 412.7 |

The overall revenue increased by 7.3% from approximately CNY70.9 million for the twelve months ended 31 December 2021 to approximately CNY76.1 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 4.1% from approximately CNY60.7 million in 2021 to approximately CNY63.2 million in 2022. The sales revenue of drilling mud and pelletizing clay increased by approximately 6.4% and 2.8% respectively. For drilling mud, the sales volume increased by approximately 8.9% as a result of the management's success in developing new customers for drilling mud, which was partly offset by the decrease in the average selling price of drilling mud. For pelletizing clay, the average selling price increased by approximately 33.6% by upgrading our products in response to a major customer's requirement for energy conservation and emission reduction., which was offset by the decrease in sales volume by approximately 23.0% caused by the downward pressure on the state's rectification of the steel industry.

The revenue of financial services increased by approximately 25.6% from approximately CNY10.2 million for the twelve months ended 31 December 2021 to approximately CNY12.8 million for the Reporting Period. The increase in revenue of financial services for the Reporting Period was mainly contributed by the increase of approximately 24.1% in wealth management services income and increase of approximately 49.4% 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 | For the twelve months ended 31 December | | | |
|--|---|-------------|----------------------|-------------|
| | 2022 | | 2021 | |
| | CNY'000 (Unaudited) | % | CNY'000 (Audited) | % |
| Extraction costs | 2,671 | 6.3 | 1,363 | 3.7 |
| Processing costs | | | | |
| – Air-drying costs | 2,555 | 6.1 | 2,455 | 6.6 |
| – Consumables, materials and supplies | 11,701 | 27.8 | 7,806 | 21.0 |
| – Depreciation and amortisation | 1,196 | 2.8 | 1,242 | 3.3 |
| – Staff costs | 4,883 | 11.6 | 5,344 | 14.4 |
| – Transportation costs | 4,579 | 10.9 | 4,680 | 12.6 |
| – Utility costs | 5,005 | 11.9 | 4,728 | 12.7 |
| – Others | 944 | 2.2 | 1,193 | 3.2 |
| Sales tax and surcharges | 1,943 | 4.6 | 1,934 | 5.2 |
| Total cost of bentonite mining | 35,477 | 84.2 | 30,745 | 82.7 |
| Commission expense of wealth management services | 6,677 | 15.8 | 6,412 | 17.3 |
| Total cost of financial services | 6,677 | 15.8 | 6,412 | 17.3 |
| Total cost | 42,154 | 100 | 37,157 | 100 |

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

| | For the twelve months ended 31 December | | | | | |
|------------------|---|------------------------|--------------|-----------|----------------------|--------------|
| | 2022 | | | 2021 | | |
| | CNY/tonne | CNY'000 (Unaudited) | % | CNY/tonne | CNY'000 (Audited) | % |
| Drilling mud | 272.7 | 14,086 | 39.7 | 244.3 | 11,588 | 37.7 |
| Pelletising clay | 299.8 | 21,391 | 60.3 | 206.7 | 19,157 | 62.3 |
| | | 35,477 | 100.0 | | 30,745 | 100.0 |

The overall cost of sales increased by 13.4% from approximately CNY37.2 million for the twelve months ended 31 December 2021 to approximately CNY42.2 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 processing cost, price of raw material and energy cost of bentonite mining business.

The total cost of sales of bentonite mining increased by approximately 15.4% from approximately CNY30.7 million in 2021 to approximately CNY35.5 million in 2022. The increase in the total cost of sales was mainly caused by the increase in unit processing cost of both drilling mud and pelletising clay owing to the price of raw material and energy raised.

The cost of sales for drilling mud increased by approximately 21.6% from approximately CNY11.6 million in 2021 to approximately CNY14.1 million in 2022. The increase in the cost of sales for drilling mud was mainly due to the increase in sales volume by approximately 8.9%, and the increase in unit processing cost from CNY244.3 per tonne in 2021 to approximately CNY272.7 per tonne in 2022.

The cost of sales for pelletising clay increased by approximately 11.7% from approximately CNY19.2 million in 2021 to approximately CNY21.4 million in 2022. The increase in the cost of sales for pelletising clay was due to the increase in unit processing cost from CNY206.7 per tonne in 2021 to approximately CNY299.8 per tonne in 2022.

The commission expense of wealth management services increased by approximately 4.1% from approximately CNY6.4 million for the twelve months ended 31 December 2021 to approximately CNY6.7 million for the Reporting Period. The increase in the commission expense of wealth management services mainly caused by the increase of approximately 24.1% 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

| | For the twelve months ended 31 December | | | |
|-------------------------------|---|--------------|--------------|--------------|
| | 2022 | | 2021 | |
| | Gross profit | Gross profit | Gross profit | Gross profit |
| | margin | margin | margin | margin |
| | % | % | % | % |
| | Gross profit | Gross profit | Gross profit | Gross profit |
| | CNY'000 | CNY'000 | CNY'000 | CNY'000 |
| | (Unaudited) | (Audited) | (Audited) | (Audited) |
| Drilling mud | 9,769 | 41.0 | 10,839 | 48.3 |
| Pelletising clay | 17,942 | 45.6 | 19,094 | 49.9 |
| Bentonite Mining | 27,711 | 43.9 | 29,933 | 49.3 |
| Wealth management services | 2,446 | 26.8 | 941 | 12.8 |
| Loan interest income | 2,579 | 100.0 | 1,726 | 100.0 |
| Guarantee services fee income | 1,132 | 100.0 | 1,141 | 100.0 |
| Financial services | 6,157 | 48.0 | 3,808 | 37.3 |
| Rental income | 49 | 100.0 | - | - |
| Total | 33,917 | 44.6 | 33,741 | 47.6 |

The overall gross profit increased by approximately 0.5% from approximately CNY33.7 million for the twelve months ended 31 December 2021 to approximately CNY33.9 million for the Reporting Period, while the overall gross profit margin decreased from approximately 47.6% for the twelve months ended 31 December 2021 to approximately 44.6% 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 decreased by approximately 9.9% from approximately CNY10.8 million in 2021 to approximately CNY9.7 million in 2022, with the gross profit margin for the sale of drilling mud decreasing from approximately 48.3% in 2021 to approximately 41.0% in 2022. The increase in sales volume could not make up for the negative impact of the increase in cost and decrease in the unit price of sales resulting in a decrease in both gross profit and gross margin.

Gross profit for the sale of pelletising clay decreased by approximately 6.0% from approximately CNY19.1 million in 2021 to approximately CNY17.9 million in 2022, with the gross profit margin for the sale of pelletising clay decreased from approximately 49.9% in 2021 to approximately 45.6% in 2022. The decrease in gross profit margin for the sale of pelletising clay was contributed to (i) a decrease in the sales volume by approximately 23.0% from approximately 92,600 tonnes in 2021 to approximately 71,300 tonnes in 2022, and (ii) an increase in the unit cost of pelletising clay by approximately 45.1% from approximately CNY206.7 per tonne in 2021 to approximately CNY299.8 per tonne in 2022. The reasons for the increase in the unit cost of pelletising clay had been discussed above.

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 26.8% from approximately CNY941,000 for the twelve months ended 31 December 2021 to CNY2.4 million for the Reporting Period, while the gross profit margin of wealth management services also increased from approximately 12.8% for the twelve month ended 31 December 2021 to approximately 26.8% for the Reporting Period.

Other Income

Other income decreased by approximately CNY7.2 million from approximately CNY9.2 million for the twelve months ended 31 December 2021 to approximately CNY2.0 million for the Reporting Period. The decrease was mainly attributed to the recognised one-off gain on revenue guarantee in 2021.

Selling and Distribution Expenses

The selling and distribution expenses decreased by approximately 17.3% from approximately CNY6.3 million for the twelve months ended 31 December 2021 to approximately CNY5.2 million for the Reporting Period. This was primarily due to the decrease in sales volume of pelletising clay for the Reporting Period.

Administrative and Other Expenses

The administrative and other expenses slightly decreased by approximately 7.7% from approximately CNY25.0 million for the twelve months ended 31 December 2021 to approximately CNY23.1 million for the Reporting Period. The decrease was primarily due to the decrease of legal and professional fee and office expenses for the Reporting Period.

Finance Costs

The finance costs decreased by approximately 6.7% from approximately CNY523,000 for the twelve months ended 31 December 2021 to approximately CNY488,000 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 CNY2.0 million for the Reporting Period. There is no significant change of income tax expenses.

Profit for the Period

Due to the combined effect of the aforesaid factors, the profit for the period attributable to the owners of the Company for the Reporting Period was approximately CNY4.5 million, a decrease of approximately CNY4.6 million from the profit for the period of approximately CNY9.1 million for the twelve months ended 31 December 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 31 December 2022, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group employed 125 full time employees (as at 31 December 2021: 123) for its principal activities. Employees' costs (including Directors' emoluments) amounted to CNY18.0 million for the Reporting Period (twelve months ended 31 December 2021: CNY16.7 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

There is no material event undertaken by the Company or the Group subsequent to 31 December 2022 and up to the date of this report.

OUTLOOK

The year 2022 proved a challenging one for China. Its 2022 economic growth is likely to be 3 percent or less, a marked drop from the 8.1 percent recorded in 2021. As we start 2023, the zero-COVID-19 policy has ended and the re-opening of China to the world has begun in earnest. This will revive domestic household spending, kickstart the local economy and in time bring benefits to the economic recovery. The recovery in the manufacturing industry and the investments in infrastructure construction will support bentonite demand from downstream industries including the iron and steel and energy sectors. However, with the increasing overall downward pressure, the Group expected that the challenges in 2023 would continue to exist, the price of raw materials and energy might not be able to decrease in the short run and the profit level would remain relatively weak.

Within the bentonite industry, uncertainties brought by the Russo-Ukrainian War, economic downward pressure, and lack of market confidence will cause it hard to reverse the current situation in short term. Meanwhile, the PRC's ambitious target to achieve carbon neutrality by 2060 and takes measures to control the capacity and output of the iron and steel, will negatively impact the Group's business by imposing pressures on demand for pelletising clay and drilling mud. The Group strives to upgrade products to meet the customer requirement for energy conservation and emission reduction, and maintain the sales volume of its bentonite products by improving product quality and adhering to the "selling more with lower margin" strategy, and also 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 enhancing 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.

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 three 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) and Dr. KWOK Hiu Fung (appointed on 23 September 2022). The Audit Committee meets regularly with the Company’s senior management and the Company’s auditors to consider the Company’s financial reporting process, the effectiveness of internal controls, the audit process and risk management.

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

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, 14 February 2023

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 31 December 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 | 48,555,414 | 30.52 |
| Bonus Eventus Securities Limited | Long position | Beneficial owner | 32,370,276 | 20.34 |

Notes:

1. Ms. Wang Jie is the spouse of Mr. Zhang Qiang. Therefore, Ms. Wang Jie is deemed to be interested in the Shares in which Mr. Zhang Qiang is interested.

Save as disclosed above, as at 31 December 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 31 December 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 | Percentage of the issued shares (%) | |
|---------------------------------------|---------------------|---------------------------------------|------------------|-------------------------------------|-------|
| | | | | Notes | |
| CHAN Man Fung | Long Position | Interests of a controlled corporation | 48,555,414 | 1 | 30.52 |
| | Long Position | Interests of a controlled corporation | 32,370,276 | 2 | 20.34 |
| | Long Position | Beneficial owner | 6,682,000 | | 4.20 |
| | | | 87,607,690 | | 55.06 |
| PUI Wai Lun | Long Position | Interests of a controlled corporation | 48,555,414 | 1 | 30.52 |
| | Long Position | Interests of a controlled corporation | 32,370,276 | 2 | 20.34 |
| | | | 80,925,690 | | 50.86 |

Notes:

- P.B. Asia Holdings Limited is owned as to 50% by Dr. CHAN Man Fung and 50% by Mr. PUI Wai Lun. By virtue of the SFO, Dr. CHAN Man Fung and Mr. PUI Wai Lun are deemed to be interested in these 48,555,414 Shares.
- Bonus Eventus Securities Limited is indirectly owned as to 50% by Dr. CHAN Man Fung and 50% by Mr. PUI Wai Lun. By virtue of the SFO, Dr. CHAN Man Fung and Mr. PUI Wai Lun are deemed to be interested in these 32,370,276 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 31 December 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.

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

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

PUBLIC FLOAT

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

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Reporting Period (twelve months ended 31 December 2021: Nil).

OTHER INFORMATION

Prepayment to Suppliers

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

- i. instituted legal proceedings against Lituo Enterprise (HK) Limited ("Lituo") on 18 October 2018 to recover outstanding deposits amounted to HK\$10,930,000 under High Court Action No. 2449 of 2018. Lituo filed its defence on 28 November 2018. Upon counsel's advice, the Company considered to have taken out summary proceedings against Lituo pursuant to Order 14 of the Rules of High Court, Cap 4A of the Laws of Hong Kong. However, after thoroughly considered the evidence of the case, counsel advised that it would be quite difficult to obtain summary Judgment against Lituo by way of summary proceedings and advised that the case should proceed normally to trial. The Company adopted such advice given by counsel and thereby decided not to proceed to summary proceedings. Accordingly, the Company's legal representatives have followed the normal civil procedures in proceedings. After the parties had completed discovery of evidence exhibit, and upon counsel's advice, the company attempted to consolidate with the action of HCA 2450 of 2018 ("HCA 2450") by taking out a Summons dated 6 February 2023 returnable on 9 February 2023. However, at the hearing, the Court dismissed the Company's summons, but ordered that the two cases be heard together. The case now goes to the stage of exchanges of witnesses' evidence.

- ii. instituted legal proceedings against, Lituo Enterprise (HK) Limited (“Lituo”) and another company (“the 2nd Defendant”) which was the payee designated by Lituo under the underlying contract, to recover outstanding deposits amounted to HK\$35,000,000 under High Court Action No. 2450 of 2018. Lituo filed its defence on 28 November 2018. Whereas the 2nd Defendant, which is incorporated in British Virgin Islands (BVI), has never responded to the case and on 15 May 2020, the court granted final judgment against the 2nd Defendant upon the Company’s application. Thereafter, the Company had appointed BVI lawyers to execute and enforce the Judgement by way of presenting a winding-up petition against the 2nd Defendant; and the Eastern Caribbean Supreme Court in the High Court of Justice Virgin Islands made an order, ordering, inter alia, that the 2nd Defendant be wound up and that Mr. John David Ayres (replaced by Mr. Aaron Gardner pursuant to the order made by the BVI court on 14 March 2022) of FTI Consulting (BVI) Limited and Mr. Chow Wai Shing Daniel of FTI Consulting (Hong Kong) Limited (“the Joint Liquidators”) be appointed as joint and several liquidators of the 2nd Defendant. Subsequent to the said order, the Joint Liquidators wrote to the Company on 15 June 2021 with the aim of (1) notifying the Company that the Joint Liquidators did not intend to call a meeting of creditors and (2) requesting the Company to submit a Proof of Debt Form in respect of the indebtedness owed by the 2nd Defendant. The Company had duly completed the Proof of Debt form and returned the same to the Joint Liquidators. Then on 17 June 2021, the Joint Liquidators issued a First Report dated 17 June 2021 to the creditors of the 2nd Defendant including the Company reporting, inter alia, the steps taken since their appointment (“the First Report”). According to the First Report, the Joint Liquidators served on the 2nd Defendant notice of the liquidation at its registered office as well as wrote to the director of the 2nd Defendant requesting her to complete a Statement of Affairs and Director’s Questionnaire Form, as stipulated by BVI laws but the director of the 2nd Defendant was not cooperative and refused to provide any details in relation to the affairs of the 2nd Defendant, however. The Joint Liquidators are now in the course of locating if the 2nd Defendant has any assets overseas and they are of the view that a substantial amount of asset of the 2nd Defendant may be located in Singapore. To this end, the Joint Liquidators initiated an application in Singapore, seeking to apply for recognition of their liquidators’ status in Singapore. On 6 July 2022, the Singaporean Court granted an order to this effect. The Joint Liquidators are still in the course of locating the asset of the 2nd Defendant in Singapore. The liquidation of the 2nd Defendant is in progress. On the other hand, the Company sought advice from counsel on the merits of the case against Lituo, whereupon it is counsel’s advice that the case should consolidate with HCA 2449 of 2018 (“HCA 2449”). The Company therefore on 6 February 2023 took out a Summons applying for the case to be consolidated with HCA 2449 returnable

on 9 February 2023. At the hearing, the Court rejected the Company's Summons but ordered that the two cases be heard together. The case is then going to the stages of discovery of evidence exhibits and exchange of witnesses' statements.

- iii. instituted legal proceedings against Tong Chung Ming trading as Kai Muk Company to recover the remaining balance of a deposit amounted HK\$8,530,000 under High Court Action No. 1767 of 2018. The trial of the case was heard from 7 to 10 December 2020. By a Judgment dated 20 January 2021, it was adjudged that Tong Chung Ming shall pay to the Company the sum of HK\$8,530,000 with interests and costs of the proceedings as well. The Company tends to execute and enforce the Judgment and in January 2021 the Company is seeking leave from the Court to file a Petition against Tong Chung Ming trading as Kai Muk Company. The Court has raised a lot of requisitions on the way of service of the statutory demand on the Tong Chung Ming, which was by way of substitute service; and we are now in the course of answering the requisitions raised. The enforcement procedures are on-going.

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

Back-to-back Guarantee Agreement

Reference were made to the announcements of the Company dated 30 July 2018, 29 July 2019, 24 July 2020, 28 July 2021, 28 July 2022, 18 August 2022 and 22 August 2022, the circular of the Company dated 26 August 2022 in relation to the provision 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 28 July 2022, 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, was despatched to the Shareholders on 26 August 2022.

Save as disclosed above, there is no material event undertaken by the Company or the Group during the Reporting Period and up to the date of this report.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and twelve months ended 31 December 2022

| | Notes | Three months ended 31 December | | Twelve months ended 31 December | |
|--|-------|-----------------------------------|--------------------------------|------------------------------------|------------------------------|
| | | 2022 CNY'000 (Unaudited) | 2021 CNY'000 (Unaudited) | 2022 CNY'000 (Unaudited) | 2021 CNY'000 (Audited) |
| Revenue | 3 | 19,699 | 18,773 | 76,071 | 70,898 |
| Cost of sales | | (10,643) | (9,900) | (42,154) | (37,157) |
| Gross profit | | 9,056 | 8,873 | 33,917 | 33,741 |
| Other income | 4 | 710 | 7,843 | 1,966 | 9,205 |
| Selling and distribution expenses | | (1,005) | 653 | (5,220) | (6,311) |
| Administrative and other expenses | | (5,222) | (9,349) | (23,115) | (25,036) |
| Finance costs | 5 | (124) | (119) | (488) | (523) |
| Loss on fair value changes of financial assets at fair value through profit or loss | 15 | (55) | - | (533) | - |
| Profit before tax | | 3,360 | 7,901 | 6,527 | 11,076 |
| Income tax expense | | (831) | (789) | (2,013) | (1,959) |
| Profit for the period | 7 | 2,529 | 7,112 | 4,514 | 9,117 |
| Other comprehensive income for the period | | | | | |
| Items that may be reclassified subsequently to profit or loss: | | | | | |
| Exchange differences arising on translation of foreign operations | | (1,038) | (446) | 3,424 | (464) |
| Total comprehensive income for the period | | 1,491 | 6,666 | 7,938 | 8,653 |
| Profit for the period attributable to owners of the Company | | 2,529 | 7,112 | 4,514 | 9,117 |
| Total comprehensive income for the period attributable to owners of the Company | | 1,491 | 6,666 | 7,938 | 8,653 |
| Earnings per share (CNY): | | | | | |
| Basic and diluted | 9 | 1.59 cents | 8.61 cents | 2.84 cents | 9.85 cents |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

| | | 31 December | |
|---|--------------|--------------------|-----------|
| | <i>Notes</i> | 2022 | 2021 |
| | | CNY'000 | CNY'000 |
| | | (Unaudited) | (Audited) |
| Non-current assets | | | |
| Property, plant and equipment | <i>10</i> | 13,658 | 14,855 |
| Right-of-use assets | | 2,276 | 2,354 |
| Intangible asset | <i>11</i> | 5,018 | 5,106 |
| Restricted bank balances | <i>13</i> | 35,006 | 13,821 |
| Deferred tax assets | | 519 | 324 |
| Investment property | <i>14</i> | 2,679 | – |
| | | 59,156 | 36,460 |
| Current assets | | | |
| Inventories | | 7,055 | 4,262 |
| Trade, bills and other receivables | <i>12</i> | 70,643 | 51,780 |
| Financial assets at fair value through profit or loss | <i>15</i> | 2,340 | – |
| Pledged bank deposits | <i>13</i> | 20,000 | 20,000 |
| Bank balances and cash | <i>13</i> | 13,135 | 50,624 |
| | | 113,173 | 126,666 |
| Current liabilities | | | |
| Trade and other payables | <i>16</i> | 26,343 | 26,825 |
| Income tax payables | | 3,642 | 2,290 |
| | | 29,985 | 29,115 |
| Net current assets | | 83,188 | 97,551 |
| Total assets less current liabilities | | 142,344 | 134,011 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

As at 31 December 2022

| | | 31 December | |
|------------------------------|--------------|----------------------------|---------------------|
| | <i>Notes</i> | 2022 | 2021 |
| | | CNY'000 | CNY'000 |
| | | (Unaudited) | (Audited) |
| Non-current liabilities | | | |
| Asset retirement obligations | | 9,534 | 9,046 |
| Deferred tax liabilities | | 23 | 21 |
| Deferred income | | 100 | 195 |
| | | <hr/> 9,657 <hr/> | <hr/> 9,262 <hr/> |
| Net assets | | <hr/> 132,687 <hr/> | <hr/> 124,749 <hr/> |
| Capital and reserves | | | |
| Share capital | 17 | 13,261 | 13,261 |
| Reserves | | 119,426 | 111,488 |
| | | <hr/> 132,687 <hr/> | <hr/> 124,749 <hr/> |
| Total equity | | <hr/> 132,687 <hr/> | <hr/> 124,749 <hr/> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the twelve months ended 31 December 2022

| | Share capital CNY'000 | Share premium CNY'000 | Other reserve CNY'000 | Statutory reserve CNY'000 | Safety fund and production maintenance fund CNY'000 | Foreign currency translation reserve CNY'000 | Accumulated losses CNY'000 | Total CNY'000 |
|--|--------------------------|--------------------------|--------------------------|------------------------------|--|---|-------------------------------|------------------|
| At 1 January 2021 (audited) | 6,753 | 130,704 | 23,351 | 6,390 | 1,552 | 282 | (75,714) | 93,318 |
| Profit for the year | - | - | - | - | - | - | 9,117 | 9,117 |
| Exchange difference arising on translation of financial statement of foreign operation | - | - | - | - | - | (464) | - | (464) |
| Other comprehensive loss for the period | - | - | - | - | - | (464) | - | (464) |
| Total comprehensive income for the period | - | - | - | - | - | (464) | 9,117 | 8,653 |
| Appropriation to statutory reserve | - | - | - | 1,219 | - | - | (1,219) | - |
| Appropriation and utilisation of safety fund and production maintenance fund, net | - | - | - | - | 142 | - | (142) | - |
| Issue of shares upon right issue | 6,508 | 16,270 | - | - | - | - | - | 22,778 |
| At 31 December 2021 (audited) | <u>13,261</u> | <u>146,974</u> | <u>23,351</u> | <u>7,609</u> | <u>1,694</u> | <u>(182)</u> | <u>(67,958)</u> | <u>124,749</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 | - | - | - | - | - | - | 4,514 | 4,514 |
| Exchange difference arising on translation of financial statement of foreign operation | - | - | - | - | - | 3,424 | - | 3,424 |
| Other comprehensive income for the period | - | - | - | - | - | 3,424 | - | 3,424 |
| Total comprehensive income for the period | - | - | - | - | - | 3,424 | 4,514 | 7,938 |
| Appropriation to statutory reserve | - | - | - | 2,499 | - | - | (2,499) | - |
| Appropriation and utilisation of safety fund and production maintenance fund, net | - | - | - | - | 186 | - | (186) | - |
| At 31 December 2022 (unaudited) | <u>13,261</u> | <u>146,974</u> | <u>23,351</u> | <u>10,108</u> | <u>1,880</u> | <u>3,242</u> | <u>(66,129)</u> | <u>132,687</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 twelve months ended 31 December 2022

| | Twelve months ended | |
|---|--|-------------------------------------|
| | 31 December | |
| Note | 2022 CNY'000 (Unaudited) | 2021 <i>CNY'000</i> (Audited) |
| NET CASH USED IN OPERATING ACTIVITIES | <u>(36,290)</u> | <u>(35)</u> |
| NET CASH USED IN INVESTING ACTIVITIES | <u>(5,019)</u> | <u>(3,919)</u> |
| NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES | <u>(488)</u> | <u>23,427</u> |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | (41,797) | 19,473 |
| CASH AND CASH EQUIVALENTS AT 1 JANUARY | 49,982 | 30,883 |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | <u>4,302</u> | <u>(374)</u> |
| CASH AND CASH EQUIVALENTS AT 31 DECEMBER | <i>13</i> <u><u>12,487</u></u> | <u><u>49,982</u></u> |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months and twelve months ended 31 December 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

On 28 December 2022, the Company announced to change its financial year end date from 31 December to 31 March. As a result, these second interim results covered a period of the twelve months ended 31 December 2022.

The unaudited condensed consolidated second 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.

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

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements for the twelve months ended 31 December 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.

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 twelve months ended 31 December 2022 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.

3. REVENUE AND SEGMENT INFORMATION (Cont'd)

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 31 December | | Twelve months ended 31 December | |
|--|-----------------------------------|--------------------------------|------------------------------------|------------------------------|
| | 2022 (Unaudited) CNY'000 | 2021 (Unaudited) CNY'000 | 2022 (Unaudited) CNY'000 | 2021 (Audited) CNY'000 |
| Drilling mud | 4,579 | 8,357 | 23,855 | 22,427 |
| Pelletising clay | 11,706 | 6,882 | 39,333 | 38,251 |
| Total revenue of bentonite mining | 16,285 | 15,239 | 63,188 | 60,678 |
| Wealth management services income | 2,451 | 2,510 | 9,123 | 7,353 |
| Loan interest income | 659 | 732 | 2,579 | 1,726 |
| Guarantee service fee income | 283 | 292 | 1,132 | 1,141 |
| Total revenue of financial services | 3,393 | 3,534 | 12,834 | 10,220 |
| Rental income | 21 | - | 49 | - |
| Total rental income | 21 | - | 49 | - |
| Total revenue | 19,699 | 18,773 | 76,071 | 70,898 |

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 31 December | | Twelve months ended 31 December | |
|-------------------------|-----------------------------------|--------------------------------|------------------------------------|------------------------------|
| | 2022 CNY'000 (Unaudited) | 2021 CNY'000 (Unaudited) | 2022 CNY'000 (Unaudited) | 2021 CNY'000 (Audited) |
| PRC excluding Hong Kong | 16,568 | 15,531 | 64,320 | 61,819 |
| Hong Kong | 3,131 | 3,242 | 11,751 | 9,079 |
| Total revenue | 19,699 | 18,773 | 76,071 | 70,898 |

4. OTHER INCOME

| | Three months ended 31 December | | Twelve months ended 31 December | |
|---|-----------------------------------|--------------------------------|------------------------------------|------------------------------|
| | 2022 CNY'000 (Unaudited) | 2021 CNY'000 (Unaudited) | 2022 CNY'000 (Unaudited) | 2021 CNY'000 (Audited) |
| Bank interest income | 82 | 404 | 754 | 1,253 |
| Release of government grant for property, plant and equipment | 23 | 24 | 95 | 95 |
| Government grant | 29 | 950 | 233 | 992 |
| Gain on revenue guarantee | - | 7,264 | - | 7,264 |
| Other losses/(gains) | 576 | (799) | 884 | (399) |
| | 710 | 7,843 | 1,966 | 9,205 |

5. FINANCE COSTS

| | Three months ended 31 December | | Twelve months ended 31 December | |
|---|-----------------------------------|--------------------------------|------------------------------------|------------------------------|
| | 2022 CNY'000 (Unaudited) | 2021 CNY'000 (Unaudited) | 2022 CNY'000 (Unaudited) | 2021 CNY'000 (Audited) |
| Interest expenses on lease liability | - | - | - | 59 |
| Unwinding of discount on provision for dismantlement | 124 | 119 | 488 | 464 |
| | 124 | 119 | 488 | 523 |

6. INCOME TAX EXPENSE

| | Three months ended | | Twelve months ended | |
|-----------------------------------|--------------------|-------------|---------------------|--------------|
| | 31 December | | 31 December | |
| | 2022 | 2021 | 2022 | 2021 |
| | CNY'000 | CNY'000 | CNY'000 | CNY'000 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Audited) |
| Current tax: | | | | |
| PRC Enterprise Income Tax ("EIT") | 995 | 847 | 2,205 | 2,117 |
| Over-provision in previous year | - | (184) | - | (184) |
| Deferred taxation: | | | | |
| Current period | (164) | 126 | (192) | 26 |
| | 831 | 789 | 2,013 | 1,959 |

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 FOR THE PERIOD

| | Three months ended | | Twelve months ended | |
|---|--------------------|-------------|---------------------|-----------|
| | 31 December | | 31 December | |
| | 2022 | 2021 | 2022 | 2021 |
| | CNY'000 | CNY'000 | CNY'000 | CNY'000 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Audited) |
| Profit for the period has been arrived at after charging: | | | | |
| Amortisation of intangible asset | 30 | 33 | 88 | 131 |
| Amortisation of prepaid lease payments | 19 | 19 | 77 | 78 |
| Amount of inventories recognised as an expenses | 8,893 | 6,892 | 34,936 | 28,612 |
| Exchange loss/(gain), net | 45 | (102) | (302) | (68) |
| Depreciation of property, plant and equipment | 521 | 408 | 1,966 | 1,832 |
| Amortisation of land-use right | 102 | 79 | 408 | 317 |

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 (twelve months ended 31 December 2021: nil).

9. EARNINGS PER SHARE

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

| Three months ended 31 December | | Twelve months ended 31 December | |
|-----------------------------------|-------------|------------------------------------|-----------|
| 2022 | 2021 | 2022 | 2021 |
| CNY'000 | CNY'000 | CNY'000 | CNY'000 |
| (Unaudited) | (Unaudited) | (Unaudited) | (Audited) |

Earnings

Earnings for the purpose of
basic and diluted earnings
per share

| | | | |
|--------------|--------------|--------------|--------------|
| <u>2,529</u> | <u>7,112</u> | <u>4,514</u> | <u>9,117</u> |
|--------------|--------------|--------------|--------------|

| Three months ended 31 December | | Twelve months ended 31 December | |
|-----------------------------------|------|------------------------------------|------|
| 2022 | 2021 | 2022 | 2021 |

Number of shares

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

| | | | |
|----------------|---------------|----------------|---------------|
| <u>159,114</u> | <u>82,640</u> | <u>159,114</u> | <u>92,536</u> |
|----------------|---------------|----------------|---------------|

Basic and diluted earnings
per share (CNY)

| | | | |
|-------------------|-------------------|-------------------|-------------------|
| <u>1.59 cents</u> | <u>8.61 cents</u> | <u>2.84 cents</u> | <u>9.85 cents</u> |
|-------------------|-------------------|-------------------|-------------------|

Note:

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

10. PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, the Group spent approximately CNY507,000 (twelve months ended 31 December 2021: approximately CNY1.5 million) 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 CNY419,000 (twelve months ended 31 December 2021: CNY241,000) for no cash proceeds (twelve months ended 31 December 2021: nil), resulting in a loss on disposal of CNY367,000 (twelve months ended 31 December 2021: CNY182,000).

11. INTANGIBLE ASSET

During the twelve months end 31 December 2022, the Group did not spend any expenditure (twelve months ended 31 December 2021: nil) in relation to the mining site.

12. TRADE, BILLS AND OTHER RECEIVABLES

| | As at 31 December | |
|--|--------------------------|-----------|
| | 2022 | 2021 |
| | CNY'000 | CNY'000 |
| | (Unaudited) | (Audited) |
| Trade receivables – goods | 5,020 | 9,133 |
| Trade receivables – wealth management services | 935 | 838 |
| Loan and interest receivables | 18,222 | 14,495 |
| Guarantee service fee receivables | 500 | 500 |
| Less: loss allowance | (611) | (748) |
| | 24,066 | 24,218 |
| Bill receivables | 16,698 | 15,201 |
| Prepayments and deposits | 10,301 | 2,254 |
| Other receivables | 19,756 | 10,332 |
| Less: loss allowances | (178) | (225) |
| | 70,643 | 51,780 |

As at 31 December 2022 and 31 December 2021, trade receivables from contracts with customers amounted to approximately CNY24,066,000 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 31 December 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 31 December 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 31 December 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.

| | As at 31 December | |
|----------------|--------------------------|---------------|
| | 2022 | 2021 |
| | CNY'000 | CNY'000 |
| | (Unaudited) | (Audited) |
| Within 30 days | 18,525 | 22,220 |
| 31 to 60 days | 241 | 1,882 |
| 61 to 90 days | 4 | 113 |
| Over 90 days | 5,296 | 3 |
| | <hr/> | <hr/> |
| Total | <u>24,066</u> | <u>24,218</u> |

As at 31 December 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:

| | As at 31 December | |
|---|-------------------|---------------|
| | 2022 | 2021 |
| | CNY'000 | CNY'000 |
| | (Unaudited) | (Audited) |
| Cash at bank and in hand | 12,487 | 47,202 |
| Short-term bank deposits | 648 | 3,422 |
| | <hr/> | <hr/> |
| Bank balances and cash shown in the condensed consolidated statement of financial position | 13,135 | 50,624 |
| Less: Bank deposits with a maturity of more than three months | (648) | (642) |
| | <hr/> | <hr/> |
| Cash and cash equivalents shown in the condensed consolidated statement of cash flows (<i>Note</i>) | <u>12,487</u> | <u>49,982</u> |

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

| | As at 31 December | |
|--|-------------------|-------------------|
| | 2022 | 2021 |
| | CNY'000 | CNY'000 |
| | (Unaudited) | (Audited) |
| Fair value at the beginning of period/year | – | – |
| Additions | 2,544 | – |
| Exchange realignment | 135 | – |
| | <u> </u> | <u> </u> |
| Fair value at the end of period | <u>2,679</u> | <u>–</u> |

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | As at 31 December | |
|---------------------------------------|-------------------|-----------|
| | 2022 | 2021 |
| | CNY'000 | CNY'000 |
| | (Unaudited) | (Audited) |
| Equity securities listed in Hong Kong | <u>2,340</u> | <u>–</u> |

As at 31 December 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 twelve months period ended 31 December 2022, a decrease in fair value of CNY533,000 (twelve months ended 31 December 2021: Nil) was recognised in profit or loss. During the twelve months ended 31 December 2022, equity securities listed in Hong Kong of CNY2,780,000 (31 December 2021: Nil) were purchased while no equity securities listed in Hong Kong (31 December 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 31 December 2022.

16. TRADE AND OTHER PAYABLES

| | As at 31 December | |
|--|--------------------------|-----------|
| | 2022 | 2021 |
| | CNY'000 | CNY'000 |
| | (Unaudited) | (Audited) |
| Trade payables (<i>Note a</i>) | 6,748 | 4,332 |
| Other payables and accruals | 19,215 | 18,917 |
| Contract liabilities (<i>Note b</i>) | 380 | 3,576 |
| | 26,343 | 26,825 |

(a) Trade payables

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

| | As at 31 December | |
|----------------|--------------------------|-----------|
| | 2022 | 2021 |
| | CNY'000 | CNY'000 |
| | (Unaudited) | (Audited) |
| Within 30 days | 6,581 | 3,381 |
| 31 to 60 days | 157 | 591 |
| 61 to 90 days | 7 | 57 |
| 91 to 365 days | 3 | 299 |
| Over 1 year | - | 4 |
| Total | 6,748 | 4,332 |

The average credit period granted is 30 days.

(b) Contract liabilities

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

| | As at 31 December | |
|------------------------------------|--------------------------|-----------|
| | 2022 | 2021 |
| | CNY'000 | CNY'000 |
| | (Unaudited) | (Audited) |
| Contract liabilities arising from: | | |
| Sales of goods | 380 | 3,576 |

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:

| | As at 31 December | |
|--|--------------------------|--------------|
| | 2022 | 2021 |
| | CNY'000 | CNY'000 |
| | (Unaudited) | (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 | 380 | 3,576 |
| As at 31 December | <u>380</u> | <u>3,576</u> |

17. SHARE CAPITAL

| | Number of shares | | Share capital |
|--------------------------------|-------------------------|----------------|------------------------|
| | | | <i>(Equivalent to)</i> |
| | | | HK\$'000 |
| | | | CNY'000 |
| Ordinary share of HK\$0.1 each | | | |
| Authorised | | | |
| 31 December 2021 and 2022 | <u>1,000,000,000</u> | <u>100,000</u> | |
| Issued and fully paid | | | |
| At 31 December 2021 and 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 (twelve months ended 31 December 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 | | Twelve months ended | |
|-------------------------|--------------------|-------------|---------------------|--------------|
| | 31 December | | 31 December | |
| | 2022 | 2021 | 2022 | 2021 |
| | CNY'000 | CNY'000 | CNY'000 | CNY'000 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Audited) |
| Short-term benefits | 308 | 427 | 1,233 | 1,708 |
| Post employment benefit | 4 | 4 | 16 | 15 |
| | <u>312</u> | <u>431</u> | <u>1,249</u> | <u>1,723</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 | | Twelve months ended | |
| | | | 31 December | 2021 | 31 December | 2021 |
| | | | 2022 | | 2022 | |
| | | | CNY'000 | CNY'000 | CNY'000 | CNY'000 |
| | | | (Unaudited) | (Unaudited) | (Unaudited) | (Audited) |
| Company controlled by member of key management personnel | (i) | Accounting fees | 129 | 237 | 515 | 946 |
| Director | (ii) | Acquisition of an investment property | - | - | 2,544 | - |
| Company controlled by the common directors | (iii) | Secretarial fees | 206 | - | 825 | - |
| | (iv) | Rental expenses | - | - | - | 227 |
| | | | <u>-</u> | <u>-</u> | <u>-</u> | <u>227</u> |

| Related party relationship | Notes | Type of transaction | Transaction amount | |
|----------------------------|-------|---------------------|--------------------|------------------|
| | | | As at 31 December | |
| | | | 2022 | 2021 |
| | | | CNY'000 | CNY'000 |
| | | | (Unaudited) | (Audited) |
| Director | (iv) | Other payables | 21 | 199 |
| | | | <u>21</u> | <u>199</u> |

Notes

- (i) Accounting fees were paid to a company directly owned by key management personnel of the Group.
- (ii) The investment property acquired was originally owned by an executive director, Dr. Chan Man Fung.
- (iii) Secretarial fees were paid to a company controlled by directors.
- (iv) Rental expenses were paid to a related company indirectly owned as to 50% by Dr. CHAN Man Fung and 50% by Mr. PUI Wai Lun, directors and shareholders of the Company.
- (v) The amounts are unsecured, interest free and has no fixed terms of repayment. The amounts due to directors are amounted at HK\$24,265 as at 31 December 2022 (31 December 2021: HK\$244,265).