



P.B. Group Limited
倍搏集團有限公司

(incorporated in Cayman Islands with limited liability)

(Stock code: 8331)



2021
INTERIM REPORT

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

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

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This report, for which the directors (the “Directors”) of P.B. Group Limited (the “Company”, together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.



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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

(appointed on 23 April 2021)

Mr. LEE Ming Tung

(resigned on 23 April 2021)

Mr. CHOW Chi Hang Tony

Mr. ZHANG Kun

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*)

(appointed on 23 April 2021)

Mr. LEE Ming Tung (*Chairman*)

(resigned on 23 April 2021)

Mr. CHOW Chi Hang Tony

Mr. ZHANG Kun

NOMINATION COMMITTEE

Mr. CHOW Chi Hang Tony (*Chairman*)

Mr. YIP Chong Ho Eric

(appointed on 23 April 2021)

Mr. LEE Ming Tung

(resigned on 23 April 2021)

Mr. ZHANG Kun

REMUNERATION COMMITTEE

Mr. YIP Chong Ho Eric (*Chairman*)

(appointed on 23 April 2021)

Mr. LEE Ming Tung (*Chairman*)

(resigned on 23 April 2021)

Mr. CHOW Chi Hang Tony

Mr. ZHANG Kun

AUDITORS

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COMPANY'S STOCK CODE

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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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

Bentonite Mining

Stepping into 2021, while the COVID-19 pandemic continued to escalate in some countries and cause disruptions in business operations and to the economy, the People's Republic of China (the "PRC") has continued to keep COVID-19 under control and achieved strong economic growth as compared to the corresponding period in 2020. During the first quarter of 2021, the PRC's gross domestic product ("GDP") grew at a rate of 18.3% year-on-year. This was a major rebound from the historic economic contraction of 6.8% in the first quarter of 2020 following lockdowns to curb the spread of COVID-19. The PRC's GDP growth rate for the first half of 2021 was 12.7%. Industrial production, consumption and investment in fixed assets, real estate and infrastructure construction all enjoyed steady growth, lending support to bentonite demand from downstream industries including the iron and steel and energy sectors. As a result of the steady growth of the economy and the downstream industries, the Group recorded an increase in revenue as compared to the corresponding period in 2020 despite a slight drop in gross profit margin. However, there remains uncertainty as to how the evolving COVID-19 pandemic will impact the global economy and the Group's business in the near future. Any widespread resurgence of COVID-19 could cause further disruptions to production and demand and fluctuations in prices, which will negatively impact the Group's results of operations.

Financial Services

Apart from the production and sale of bentonite products in the PRC, the Group has also carried out business on financial service business, including money lending business and wealth management services in Hong Kong as well as generating financial guarantee fee income in the PRC.

During the Reporting Period, the business and operation environments of financial services remain challenging in Hong Kong as the pandemic has yet to be brought under control, and economic activities and confidence have not fully recovered. The performance of this business segment remained stable during the Reporting Period.

Business Strategies Review with Progress of Implementation

The Group aims to strengthen its market position 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 2020 Annual Report with the actual progress of implementation as at 30 June 2021.

Business Strategy	Implementation Plan	Progress of Implementation as of 30 June 2021
Broaden customer base and develop product recognition	<ul style="list-style-type: none"> (i) Collaborating with external institutions in the PRC for the development of new technologies and new bentonite products to cater for high-valued downstream markets other than iron ore pelletising and civil engineering; (ii) attending and participating in industry forums and events to network with other industry professionals and potential customers; and (iii) expanding sales and marketing team to further enhance sales and marketing activities. 	<ul style="list-style-type: none"> (i) The Group has completed techno-economic viability study of two new bentonite products as mentioned below. The external institutions are currently conducting laboratory-scale testing of the two products. In addition, the internal research and development team was working on the multifunctional pelletising clay; and it was also working with the external institutions on the techno-economic viability of several other new bentonite products and processing technologies; (ii) The management team had attended and participated in an industry seminar and established contacts with several industry experts and potential customers to explore cooperation opportunities and there were three new drilling mud customers and two pelletising clay customers starting their purchase with the Group in 2019; and (iii) The Group was in the process of recruiting more experienced personnel for sales and marketing.
Development of new production technology and new products	Signing collaboration agreements with two universities and one research institute.	Completed techno-economic viability study of two new products: (a) polyaniline/montmorillonite nano-composite conductive coating materials; and (b) titanium dioxide/montmorillonite nano-composite materials and photocatalytic. Since the research results were not as expected, the development of these two new products has been terminated. The Group is searching for other suitable new technologies.
Recruitment of more talents	Recruiting more experienced personnel who possess abundant knowledge and rich experience in various aspects of the business, including mine design and construction, mining, processing, sales and marketing and research and development of principal products.	The Group was in the process of recruiting more experienced personnel for processing, sales and marketing, and research and development.

Business Strategy	Implementation Plan	Progress of Implementation as of 30 June 2021
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; and</p> <p>Purchased one vacuum circuit breaker.</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 2019 to 9 March 2022
Reserve data (as of 1 July 2015) (Note 1)	Dry
Proved reserve (<i>metric tonnes</i>)	1,720,000
Probable reserve (<i>metric tonnes</i>)	4,724,000
Total (<i>metric tonnes</i>)	6,444,000
Reserve data (as of 30 June 2021) (Note 2)	Dry
Proved reserve (<i>metric tonnes</i>)	1,682,000
Probable reserve (<i>metric tonnes</i>)	4,539,000
Total (<i>metric tonnes</i>)	6,221,000
Average quality of bentonite	
Active montmorillonite	47.0%
Colloid index	61.1 ml/15g
Swelling capacity	8.7 ml/g
Capital expenditure for the six months ended 30 June 2021	CNY69,000
Output for the six months ended 30 June 2021 (<i>metric tonnes</i>)	61,000

Notes:

- (1) The reserve data as of 1 July 2015 is extracted from the independent technical report dated 18 December 2015 contained in the Prospectus 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, Australian Institute of Geoscientists and Minerals Council of Australia, December 2012.

- (2) The reserve data as of 30 June, 2021 is extracted from the independent technical update 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, Australian Institute of Geoscientists and Minerals Council of Australia, December 2012.
- (3) There is no exploration activity carried out by the Group during the Reporting Period.

Compliance

As at 30 June 2021, 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. The compliance committee of the Company is not aware of the occurrence of any other material non-compliance incidents during the Reporting Period.

Risk Management and Internal Control

The Board has overall responsibility for the effective risk management and internal control systems of the Group and is committed to the maintenance of good corporate governance, practices and procedures of the Group. The Board believes that all the major risk factors relevant to the Group have already been listed in “Risk factors” of the Prospectus. As at 30 June 2021 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\$8.7 million remains unutilised and has been placed as short-term interest-bearing deposit with authorised financial institutes in the PRC.

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

Revised timeline as disclosed in the Company's announcement dated 21 March 2016							
From Listing Date up to 31 December 2015	For the six months ended 30 June 2016	For the six months ended 31 December 2016	For the six months ended 30 June 2017	For the six months ending 31 December 2017	Total net proceeds	Approximate percentage of proceeds	Actual use of net proceeds up to the date of this report
(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	%	(HK\$ million)
Development of production technology for new products	-	-	-	7.7	7.7	60.6	-
Improvement of plant and equipment	-	0.4	4.6	-	5.0	39.4	4.0
							(Note 2)
Total	-	0.4	4.6	-	7.7	100.0	4.0

Notes:

- (1) The proceeds in the amount of HK\$7.7 million was scheduled to be utilised in the payment of research and development fee and payment for the patents of production technology by various collaborating institutes by the end of 2017. However, payment has not been made for the intended uses as the research results were not as anticipated. The Group intends to utilise the remaining proceeds for the intended uses on or before 31 December 2021.
- (2) China's economy has been in the L-type bottom stage and in the key stage since 2016 which old growth model has weakened and the new growth model has yet to be established. The Company has decided to postpone the (i) modification and/or improvement of its existing Raymond mill; and (ii) enhancement of electricity power capacity of its processing plant which was originally scheduled since the second half of 2016 until a sustainable positive industry signal is envisaged. The unutilized net proceeds is expected to be used on or before 31 December 2021. The expected timeline for utilizing the unutilized net proceeds is based on the best estimation made by the Group. It will be subject to change based on the current and future development of the market conditions.

Use of Proceeds from Placing

On 16 November 2018, a total of 111,762,000 new shares (the “Placing Shares”) of nominal value of HK\$0.01 each in the share capital of the Company were successfully completed. The net proceeds from the Placing, after deducting the commissions and other fees and expenses in relation to the placing, amounted to approximately HK\$21.4 million (equivalent to approximately CNY18.1 million). Details of the Placing Shares was set out in the Company’s announcements dated 22 October 2018, 9 November 2018 and 16 November 2018.

The Group had used the net proceeds for the period ended 30 June 2020 and the expected timeline for the utilization of the remaining net proceeds is set out below:

	Original allocation of net proceeds		Utilization up to 31 December 2018		Utilization up to 30 June 2019		Utilization up to 31 December 2019		Utilization up to 30 June 2020		Utilization up to 31 December 2020		Utilization up to 30 June 2021		Expected amounts to be utilized for the year ended 31 December 2021		
	CNY		CNY		CNY		CNY		CNY		CNY		CNY		CNY		
	HK\$ Equivalent (million)	% of net proceeds	HK\$ Equivalent (million)	HK\$ Equivalent (million)	HK\$ Equivalent (million)	HK\$ Equivalent (million)	HK\$ Equivalent (million)	HK\$ Equivalent (million)	HK\$ Equivalent (million)	HK\$ Equivalent (million)	HK\$ Equivalent (million)	HK\$ Equivalent (million)	HK\$ Equivalent (million)	HK\$ Equivalent (million)	HK\$ Equivalent (million)	HK\$ Equivalent (million)	
Repayment of short-term debt and other payables of the Group	8.3	7.0	38.8%	6.1	5.2	6.1	5.3	6.1	5.4	6.1	5.5	6.1	5.2	6.1	5.2	2.2	1.8
Settlement of professional and audit fees	6.6	5.6	30.8%	2.2	1.9	2.9	2.5	3.6	3.2	4.5	4.1	6.6	5.6	6.6	5.6	-	-
General working capital of the Group (note)	6.5	5.5	30.4%	0.4	0.3	2.1	1.8	4.5	3.9	6.0	5.4	6.5	5.5	6.5	5.5	-	-
Total	21.4	18.1	100%	8.7	7.4	11.1	9.6	14.2	12.5	16.6	15.0	19.2	16.3	19.2	16.3	2.2	1.8

Note:

The following table sets out the breakdown of the use of proceeds as general working capital of the Group up to six months ended 30 June 2021:

	HK\$'000	CNY'000
Administrative expenses	1,348.5	1,139.0
Consultation and service	3,294.3	2,782.4
Rental costs	901.4	761.3
Staff cost (including the Director’s emoluments)	995.9	841.2
Total	6,540.1	5,523.8

As shown above, the remaining balance of unused net proceeds as at 30 June 2021 of approximately HK\$2.2 million.

FINANCIAL REVIEW

Revenue

Breakdown of the Group's Revenue by bentonite mining and financial services

	Six months ended 30 June			
	2021		2020	
	CNY'000 (unaudited)	%	CNY'000 (unaudited)	%
Drilling mud	9,041	27.4	5,354	25.0
Pelletising clay	19,669	59.6	15,494	72.4
Total revenue of bentonite mining	28,710	87.0	20,848	97.4
Wealth management services income	3,157	9.6	–	–
Loan interest income	554	1.7	–	–
Guarantee service fee income	566	1.7	566	2.6
Total revenue of financial services	4,277	13.0	566	2.6
Total revenue	32,987	100	21,414	100

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

	Six months ended 30 June			
	2021		2020	
	Sales volume (tonnes)	Average selling price (CNY/tonne)	Sales volume (tonnes)	Average selling price (CNY/tonne)
Drilling mud	20,105	449.7	12,014	445.6
Pelletising clay	45,105	436.1	35,415	437.5

The overall revenue increased by 54.0% from approximately CNY21.4 million for the six months ended 30 June 2020 to approximately CNY33.0 million for the Reporting Period. The increase in revenue was contributed by the revenue of approximately CNY3.7 million of financial services business in Hong Kong which was acquired in November 2020 and the increased revenue from bentonite mining business.

The revenue of bentonite mining increased by approximately 37.7% from approximately CNY20.8 million for the six months ended 30 June 2020 to approximately CNY28.7 million for the six months ended 30 June 2021. The increase in revenue of bentonite mining was mainly contributed by the increase in sales volume of both drilling mud and pelletising clay. Due to the different macroeconomic environment, the demand of both drilling mud and pelletising clay has improved during the Reporting Period. The total sales volume of drilling mud and pelletising clay recorded an increase by approximately 37.5% as compared with the corresponding period in 2020.

Cost of Sales

Breakdown of the Group's Cost of Sales

Cost Items	Six months ended 30 June			
	2021		2020	
	CNY'000	%	CNY'000	%
	(unaudited)		(unaudited)	
Extraction costs	497	2.8	315	2.9
Processing costs				
– Air-drying costs	1,033	5.9	812	7.6
– Consumables, materials and supplies	3,707	21.1	1,703	15.9
– Depreciation and amortisation	732	4.2	755	7.1
– Staff costs	2,701	15.4	2,364	22.1
– Transportation costs	2,103	12.0	1,679	15.7
– Utility costs	2,199	12.5	1,645	15.4
– Others	1,142	6.4	1,214	11.3
Sales tax and surcharges	949	5.4	217	2.0
Total cost of bentonite mining	15,063	85.7	10,704	100.0
Commission expense of wealth management services	2,510	14.3	–	–
Total cost of financial services	2,510	14.3	–	–
Total cost	17,573	100.0	10,704	100.0

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

	Six months ended 30 June					
	<i>CNY/tonne</i>	2021 <i>CNY'000</i> (unaudited)	%	<i>CNY/tonne</i>	2020 <i>CNY'000</i> (unaudited)	%
Drilling mud	221.0	4,437	29.5	230.9	2,774	25.9
Pelletising clay	236.0	10,626	70.5	223.9	7,930	74.1
		<u>15,063</u>	<u>100.0</u>		<u>10,704</u>	<u>100.0</u>

The overall cost of sales increased by 64.2% from approximately CNY10.7 million for the six months ended 30 June 2020 to approximately CNY17.6 million for the Reporting Period. The increase in cost of sales was caused by the cost of sales of approximately CNY2.5 million of financial services business in Hong Kong which was acquired in November 2020 and the increased sales volume from bentonite mining business.

The total cost of sales of bentonite mining increased by approximately 40.7% from approximately CNY10.7 million for the six months ended 30 June 2020 to approximately CNY15.1 million for the Reporting Period. The increase in total cost of sales was mainly caused by the increase in sales volume of both drilling mud and pelletising clay.

Cost of sales for drilling mud increased by approximately 59.9% from approximately CNY2.8 million for the six months ended 30 June 2020 to approximately CNY4.4 million for the Reporting Period. The increase in cost of sales for drilling mud was mainly due to the increase in sales volume by approximately 67.3%, which was partly offset by a slight decrease in unit processing cost from CNY230.9 per tonne for the six months ended 30 June 2020 to approximately CNY221.0 per tonne for the Reporting Period.

Cost of sales for pelletising clay increased by approximately 34.0% from approximately CNY7.9 million for the six months ended 30 June 2020 to approximately CNY10.6 million for the Reporting Period. The increase in cost of sales for pelletising clay was due to the increase in sales volume by approximately 27.4%, and a slight increase in unit processing cost from CNY223.9 per tone for the six months ended 30 June 2020 to approximately CNY236.0 per tonne for the Reporting Period.

Gross Profit and Gross Profit Margin

Gross Profit and Gross Margin

Breakdown of the Group's Gross Profit and Gross Profit Margin by bentonite mining and financial services

	2021		2020	
	Gross profit margin CNY'000 (unaudited)	%	Gross profit margin CNY'000 (unaudited)	%
Drilling mud	4,604	50.9	2,580	48.2
Pelletising clay	9,043	46.0	7,564	48.8
Bentonite Mining	13,647	47.5	10,144	48.7
Financial services	1,767	41.3	566	100
Total	15,414	46.7	10,710	50.0

The overall gross profit increased by approximately 43.9% from approximately CNY10.7 million for the six months ended 30 June 2020 to approximately CNY15.4 million for the Reporting Period, while the overall gross profit margin decreased from approximately 50.0% for the six months ended 30 June 2020 to approximately 46.7% for the Reporting Period. The decrease in overall gross profit margin was mainly due to the combined effect of (i) increase in unit processing cost of pelletising clay and (ii) the lower gross profit margin of financial services business.

Gross profit for the sale of drilling mud increased by approximately 78.4% from approximately CNY2.6 million for the six months ended 30 June 2020 to approximately CNY4.6 million for the Reporting Period, with the gross profit margin for the sale of drilling mud increased from approximately 48.2% for the six months ended 30 June 2020 to approximately 50.9% for the Reporting Period. The increase in gross profit for the sale of drilling mud was mainly due to the increase of sales volume by approximately 67.3%. The slight increase in gross profit margin was mainly attributed to the increase in the average selling price of drilling mud by approximately 0.9% from approximately CNY445.6 per tonne for the six months ended 30 June 2020 to approximately CNY449.7 per tonne for the Reporting Period.

Gross profit for the sale of pelletising clay increased by approximately 19.6% from approximately CNY7.6 million for the six months ended 30 June 2020 to approximately CNY9.0 million for the Reporting Period, while the gross profit margin for the sale of pelletising clay decreased from approximately 48.8% for the six months ended 30 June 2020 to approximately 46.0% for the Reporting Period. The increase in gross profit was mainly due to the increase of sales volume by approximately 27.4%. The slight decrease in gross profit margin for the sale of pelletising clay was contributed by to (i) decrease in the average selling price by approximately 0.3% from approximately CNY437.5 per tonne for the six months ended 30 June 2020 to approximately CNY436.1 per tonne for the Reporting Period; and (ii) increase in unit cost of pelletising clay by approximately 5.4% from approximately CNY223.9 per tonne for the six months ended 30 June 2020 to approximately CNY236.0 per tonne for the Reporting Period.

Other Income

Other income increased by approximately CNY140,000 from approximately CNY536,000 for the six months ended 30 June 2020 to approximately CNY676,000 for the Reporting Period. The increase was mainly attributed to the increase in other operating income.

Selling and Distribution Expenses

The selling and distribution expenses increased by approximately 13.1% from approximately CNY4.5 million for the six months ended 30 June 2020 to approximately CNY5.1 million for the Reporting Period. This was primarily due to the increase in sales volume for the Reporting Period.

Administrative and Other Expenses

The administrative and other expenses increased by approximately 43.2% from approximately CNY3.3 million for the six months ended 30 June 2020 to approximately CNY10.8 million for the Reporting Period. The increase was mainly due to (i) the operating expenses of financial services business in Hong Kong which was acquired in November 2020 and (ii) the slightly increase in administrative expenses in bentonite mining business.

Finance Costs

The finance costs slightly increase by approximately 29.1% from approximately CNY223,000 for the six months ended 30 June 2020 to approximately CNY288,000 for the Reporting Period. The increase was mainly due to the increase of lease interest expenses.

Income Tax Expense

The Group had an income tax expense of approximately CNY511,000 for the Reporting Period as compared to approximately CNY53,000 for the six months ended 30 June 2020. The increase was mainly due to a increase in the profit before tax from Wuhu Feishang Non-metallic Material Company Limited, the indirect wholly-owned subsidiary of the Company.

(Loss) Profit and Total Comprehensive (Loss) Income for the Period

Due to the combined effect of the aforesaid factors, the loss and total comprehensive expense attributable to the owners of the Company for the Reporting Period was approximately CNY0.6 million, a decrease of approximately CNY0.5 million from the loss and total comprehensive loss of approximately CNY1.1 million for the six months ended 30 June 2020.

Currency Exposure and Management

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

Contingent Liabilities

As at 30 June 2021, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group employed 106 full time employees (as at 30 June 2020: 83) for its principal activities. Employees' costs (including Directors' emoluments) amounted to CNY7.2 million for the Reporting Period (six months ended 30 June 2020: CNY6.0 million). The Group recognises the importance of retaining high calibre and competent staff and continues to provide remuneration packages to employees with reference to the performance of the Group, the performance of individuals and prevailing market rates. Other various benefits, such as medical and retirement benefits, are also provided. In addition, share options may be granted to eligible employees of the Group in accordance with the terms of the share option scheme adopted by the Company.

EVENTS AFTER THE REPORTING PERIOD

Back-to-back Guarantee Agreement

Reference were made to the announcements of the Company dated 30 July 2018, 29 July 2019, 24 July 2020 and 28 July 2021 in relation to the provisional of financial guarantee services. A Renewal Agreement to renew the Back-to-back Guarantee Agreement was entered by Wuhu Feishang Non-metal Material Co., Limited* (蕪湖飛尚非金屬材料有限公司), a wholly-owned subsidiary of the Company established in the PRC (the "Wuhu Subsidiary"), pursuant to which the Wuhu Subsidiary has agreed to provide financial guarantee to the Borrower by means of pledging its deposit in the sum of CNY20 million for procuring the Borrower to obtain the loan of CNY19 million provided by the lending bank. In return, the Wuhu Subsidiary shall receive a guarantee fee of 6% of the amount of deposit pledged by the Wuhu Subsidiary. The Board considers that the Group has surplus cash in CNY in excess of the working capital needs for its business operation in the PRC. The provision of Guarantee in favour of the Borrower will better utilize the Group's surplus cash with reasonable return.

Proposed (i) share consolidation; and (ii) rights issue

The Company proposed to implement (i) the share consolidation on the basis that every ten (10) issued and unissued existing shares into one (1) consolidated share ("Consolidated Share(s)") and (ii) the rights issue on the basis of one (1) rights shares for every one (1) Consolidated Shares held on the record date at the subscription price of HK\$0.350 per rights share, to raise gross proceeds of approximately HK\$27.8 million before expenses (assuming no other change in the number of Shares in issue save for the share consolidation on or before the record Date) by issuing 79,557,200 rights shares. Details were set out in the Company's announcements dated 16 July 2021 and 6 August 2021.

As save as above, there is no material event undertaken by the Company or the Group subsequent to 30 June 2021 and up to the date of this report.

OUTLOOK

The PRC has generally kept COVID-19 under control, and economic activities and confidence have rapidly recovered. The Chinese government has implemented strong fiscal and monetary stabilizing policies to further boost the PRC 's GDP growth by building a strong domestic market and supporting the domestic and international "dual circulation" strategy. Investment in fixed assets, real estate and infrastructure construction is expected to maintain solid growth, which will then support bentonite demand from downstream industries including the iron and steel and the energy sectors. Nevertheless, it would be difficult to gauge the longer term impact of such events as the situation is dynamically revolving. The Group has been proactive in closely monitoring the market conditions and taking appropriate measures to respond to the challenges. The Group will also continue to strengthen its cost control and resources management as well as to actively participate in project tenders, in order to maintain its competitiveness in the market.

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

In view of the COVID-19 pandemic situation in Hong Kong, the Group expects that the business environment in financial services, including wealth management and money lending business, would be challenging in the year 2021. However, with the expectation of increasing awareness in wealth management in recent years, as well as the probable easing of travel restrictions between Hong Kong and the PRC, 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 comprises three independent non-executive Directors, namely, Mr. YIP Chong Ho Eric (chairman of Audit Committee) (appointed on 23 April 2021), Mr. LEE Ming Tung (chairman of Audit Committee) (resigned on 23 April 2021), Mr. CHOW Chi Hang Tony and Mr. ZHANG Kun. 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, 13 August 2021

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2021, 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	275,000,000	34.57
Ms. Wang Jie (<i>Note 1</i>)	Long position	Interest of spouse	275,000,000	34.57
P.B. Capital Advanced Fund SPC – P.B. Capital Advance Fund 1 Segregated Portfolio	Long position	Beneficial owner	111,762,000	14.05
P.B. Asia Holdings Limited	Long position	Beneficial owner	125,000,000	15.71

Notes:

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

Save as disclosed above, as at 30 June 2021, no other interests or short positions in the shares or underlying shares of the Company were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

As at 30 June 2021, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director or chief executive is taken or deemed to have under such provisions of the SFO) or which were required to be entered into the register required to be kept by the Company under section 352 of the SFO or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard of Dealings"), were set out below:

Name of Directors or chief executives	Long/Short position	Capacity	Number of Shares	Notes	Percentage of the issued shares (%)
CHAN Man Fung	Long Position	Interests of a controlled corporation	125,000,000	1	15.71
	Long Position	Beneficial owner	33,410,000		4.20
			158,410,000		19.91
PUI Wai Lun	Long Position	Interests of a controlled corporation	125,000,000	1	15.71

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 125,000,000 Shares.

SHARE OPTION SCHEME

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

As at 30 June 2021, 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 2020 and up to the date of this report are as follows:

On 23 April 2021, Mr. YIP Chong Ho Eric has been appointed as the independent non-executive Director, the chairman of the Audit Committee, the chairman of the remuneration committee (the "Remuneration Committee") and the member of the nomination committee (the "Nomination Committee") of the Company.

On 23 April 2021, Mr. LEE Ming Tung tendered his resignation as an independent nonexecutive Director, the chairman of the Audit Committee, the chairman of the Remuneration Committee and the member of Nomination Committee.

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

PUBLIC FLOAT

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

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Reporting Period (six months ended 30 June 2020: Nil).

OTHER INFORMATION

Prepayment to Suppliers

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

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

- ii) instituted legal proceedings against, Lituo Enterprise (HK) Limited and another company (“the 2nd Defendant”) which was the payee designated by Lituo Enterprise (HK) Limited under the underlying contract, to recover outstanding deposits amounted to HK\$35,000,000 under High Court Action No. 2450 of 2018. Lituo Enterprise (HK) Limited filed its defence on 28 November 2018. Whereas the 2nd Defendant, which is incorporated in British Virgin Islands (BVI), has never responded to the case and on 15 May 2020, the court granted final judgment against the 2nd Defendant upon the Company’s application (“the Final Judgment dated 15 May 2020”). Thereafter, the Company has appointed BVI lawyers to execute and enforce the judgement by way of presenting a winding-up petition against the 2nd Defendant. An Appointment for the appointment of Mr. John David Ayres of FTI Consulting (BVI) Limited and Mr. Chow Wai Shing Daniel of FTI Consulting (BVI) Limited as joint liquidators of the 2nd Defendant was made by the Company to The High Court of Justice Virgin Islands under Claim No. BVIHC (COM) 0029 of 2021 and such application was heard on Monday 19 April 2021. Pursuant to an Order dated 19 April 2021 in the Eastern Caribbean Supreme Court in the High Court of Justice Virgin Islands under Claim No. BVIHC (COM) 0029 of 2021, it was ordered, inter alia, that Mr. John David Ayres of FTI Consulting (BVI) Limited and Mr. Chow Wai Shing Daniel of FTI Consulting (BVI) Limited be appointed as joint and several liquidators of the 2nd Defendant. As a result of the appointment, Mr. John David Ayres wrote to the Company on 15 June 2021 with the aim of (1) notifying the Company that the joint and several liquidators of the 2nd Defendant did not intend to call a meeting of creditors and (2) requesting the Company to submit a proof of debt form, which served to provide to the joint and several liquidators information in relation to the debt owed by the 2nd Defendant to the Company in relation to the Final Judgment dated 15 May 2020. The Company had duly completed the proof of debt form and returned the same to FTI Consulting (BVI) Limited. On 17 June 2021, the joint and several liquidators issued a First Report dated 17th June 2021 to Creditors reporting inter alia the steps taken since their appointment (“the First Report”). According to the First Report, the joint and several liquidators restored the Company on 7 June 2021 and thereafter on the same day re-filed the liquidation notice to the Registrar of Corporate Affairs, which has subsequently been approved. In addition, the joint and several liquidators served on the 2nd Defendant notice of the liquidation at the 2nd Defendant’s registered office as well as wrote to the director of the 2nd Defendant requesting them to complete a Statement of Affairs and Director’s Questionnaire form and provide documents to them. As at 17 June 2021, no reply from the director of the 2nd Defendant has been received by the joint and several liquidators. The case is in progress;

- iii) issued demand letter to Trade Rosy Global Limited requesting the refund of deposits amounted HK\$14,500,000 on 1 November 2018. Trade Rosy Global Limited does not respond and has failed and/or refused to pay the deposit or any part thereof. Thereafter, there had been discussion by the Company with its legal adviser to explore the alternate legal action to institute winding up proceedings against Trade Rosy Global Limited in British Virgin Islands. However, based on the limited information about Trade Rosy Global Limited and its lack of response, the Board considered that the lengthy period of time and substantial legal costs and expenses to be incurred if it were to initiate legal proceedings against Trade Rosy Global Limited to recover the deposit. Accordingly, the Board considered that it would be in the best interest of the Company and its shareholders as a whole to refrain from taking any further action against Trade Rosy Global Limited for the time being until there is a better chance to seek meaningful remedial actions to recover the deposit from Trade Rosy Global Limited; and
- iv) 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 there be Judgment entered for the Company in the sum of HK\$8,530,000 with interest at HSBC Prime + 1% from 31st March 2018 to the date of Judgment, and at the Judgment Rate thereafter and there is a costs order Nisi that Tong Chung Ming trading as Kai Muk Company is to pay the Company's costs to be taxed if not agreed. The Company is now in the course of locating Tong Chung Ming in order to enforce the Judgment.

As disclosed in the 2018 Annual Report dated 7 March 2019, full provision for impairment for the possible unrecoverable prepayments to the Lituo Enterprise (HK) Limited, Trade Rosy Global Limited and Kai Muk Company had been made by the Company during the year ended 31 December 2018.

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

As save as above, there is no material event undertaken by the Company or the Group subsequent to 30 June 2021 and up to the date of this report.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Notes	Three months ended 30 June		Six months ended 30 June	
		2021 CNY'000 (Unaudited)	2020 CNY'000 (Unaudited)	2021 CNY'000 (Unaudited)	2020 CNY'000 (Unaudited)
Revenue	3	17,571	10,214	32,987	21,414
Cost of sales		(9,008)	(5,137)	(17,573)	(10,704)
Gross profit		8,563	5,077	15,414	10,710
Other income	4	277	304	676	536
Selling and distribution expenses		(2,531)	(1,873)	(5,122)	(4,529)
Administrative and other expenses		(5,199)	(3,712)	(10,760)	(7,515)
Finance costs	5	(175)	(114)	(288)	(223)
Profit/(loss) before tax		935	(318)	(80)	(1,021)
Income tax expense	6	(424)	(16)	(511)	(53)
Profit/(loss) for the period		511	(334)	(591)	(1,074)
Other comprehensive loss for the period					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		(3)	-	(17)	-
Total comprehensive income/(loss) for the period		508	(334)	(608)	(1,074)
Profit/(loss) for the period attributable to owners of the Company	7	511	(334)	(591)	(1,074)
Total comprehensive income/(loss) for the period attributable to owners of the Company		508	(334)	(608)	(1,074)
Earning/(loss) per share (CNY):					
Basic and diluted	9	0.06 cents	(0.05) cents	(0.07) cents	(0.16) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		At 30 June 2021 <i>CNY'000</i> (Unaudited)	At 31 December 2020 <i>CNY'000</i> (Audited)
Non-current assets			
Property, plant and equipment	10	14,668	15,422
Right-of-use assets		2,392	3,988
Intangible asset	11	5,195	5,251
Restricted bank balances	13	13,522	10,135
Deferred tax assets		213	329
		<hr/> 35,990 <hr/>	<hr/> 35,125 <hr/>
Current assets			
Inventories		3,829	3,688
Trade, bills and other receivables	12	32,494	38,997
Pledged bank deposits	13	20,000	20,000
Bank balances and cash	13	33,538	31,513
		<hr/> 89,861 <hr/>	<hr/> 94,198 <hr/>
Current liabilities			
Trade and other payables	14	21,541	22,397
Lease liability		–	564
Loan from a shareholder	15	416	–
Income tax payables		2,130	3,159
		<hr/> 24,087 <hr/>	<hr/> 26,120 <hr/>
Net current assets		<hr/> 65,774 <hr/>	<hr/> 68,078 <hr/>
Total assets less current liabilities		<hr/> 101,764 <hr/>	<hr/> 103,203 <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

As at 30 June 2021

	<i>Notes</i>	At 30 June 2021 CNY'000 (Unaudited)	At 31 December 2020 CNY'000 (Audited)
Non-current liabilities			
Lease liabilities		–	1,012
Asset retirement obligations		8,811	8,582
Deferred tax liabilities		–	1
Deferred income		243	290
		<hr/> 9,054 <hr/>	<hr/> 9,885 <hr/>
Net assets		92,710	93,318
Capital and reserves			
Share capital	<i>16</i>	6,753	6,753
Reserves		85,957	86,565
		<hr/> 92,710 <hr/>	<hr/> 93,318 <hr/>
Total equity		92,710	93,318

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	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 2020 (audited)	5,688	126,103	23,351	5,192	1,338	-	(81,505)	80,167
Loss for the period and total comprehensive income for the period	-	-	-	-	-	-	(1,074)	(1,074)
Appropriation and utilisation of safety fund and production maintenance fund, net	-	-	-	44	31	-	(377)	(302)
At 30 June 2020 (unaudited)	<u>5,688</u>	<u>126,103</u>	<u>23,351</u>	<u>5,236</u>	<u>1,369</u>	<u>-</u>	<u>(82,956)</u>	<u>78,791</u>
At 1 January 2021 (audited)	6,753	130,704	23,351	6,390	1,552	282	(75,714)	93,318
Loss for the period	-	-	-	-	-	-	(591)	(591)
Exchange difference arising on translation of financial statement of foreign operation	-	-	-	-	-	(17)	-	(17)
Other comprehensive loss for the period	-	-	-	-	-	(17)	-	(17)
Total comprehensive loss for the period	-	-	-	-	-	(17)	(591)	(608)
Appropriation to statutory reserve	-	-	-	225	-	-	(225)	-
Appropriation and utilisation of safety fund and production maintenance fund, net	-	-	-	-	86	-	(86)	-
At 30 June 2021 (unaudited)	<u>6,753</u>	<u>130,704</u>	<u>23,351</u>	<u>6,615</u>	<u>1,638</u>	<u>265</u>	<u>(76,616)</u>	<u>92,710</u>

Notes:

(I) OTHER RESERVE

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

(II) STATUTORY RESERVE

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

(III) SAFETY FUND AND PRODUCTION MAINTENANCE FUND

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
<i>Note</i>	CNY'000	CNY'000
	(Unaudited)	(Unaudited)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	<u>1,885</u>	<u>(8,632)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(282)</u>	<u>(282)</u>
NET CASH GENERATED FROM FINANCING ACTIVITIES	<u>416</u>	<u>-</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,019	(8,914)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<u>30,883</u>	<u>38,414</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE	<i>13</i> <u>32,902</u>	<u>29,500</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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 Mr. Zhang Qiang (張強), who held approximately 34.57% interests in the Company, continued to be the single largest shareholder 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 402A, 4/F., Park Commercial Centre, 180 Tung Lo Wan Road, Causeway Bay, Hong Kong.

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

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements for the six months ended 30 June 2021 are consistent with those adopted in the Group's annual financial statements for the year ended 31 December 2020. 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 2021. The adoption of such new or revised standards, amendments to standards and interpretations does not have material impact on the consolidated accounts and does not result in substantial changes to the Group's accounting policies.

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

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

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

3 REVENUE AND SEGMENT INFORMATION

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

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

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

	Three months ended 30 June		Six months ended 30 June	
	2021 (unaudited) CNY'000	2020 (unaudited) CNY'000	2021 (unaudited) CNY'000	2020 (unaudited) CNY'000
Drilling mud	5,631	2,787	9,041	5,354
Pelletising clay	9,824	7,144	19,669	15,494
Total revenue of bentonite mining	15,455	9,931	28,710	20,848
Wealth management services income	1,576	–	3,157	–
Loan interest income	257	–	554	–
Guarantee service fee income	283	283	566	566
Total revenue of financial services	2,116	283	4,277	566
Total revenue	17,571	10,214	32,987	21,414

3 REVENUE AND SEGMENT INFORMATION (Cont'd)

Geographical information

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

	Three months ended 30 June		Six months ended 30 June	
	2021 (Unaudited) CNY'000	2020 (Unaudited) CNY'000	2021 (Unaudited) CNY'000	2020 (Unaudited) CNY'000
PRC excluding Hong Kong	15,783	10,214	29,276	21,414
Hong Kong	1,833	–	3,711	–
Total revenue	<u>17,616</u>	<u>10,214</u>	<u>32,987</u>	<u>21,414</u>

4. OTHER INCOME

	Three months ended 30 June		Six months ended 30 June	
	2021 (Unaudited) CNY'000	2020 (Unaudited) CNY'000	2021 (Unaudited) CNY'000	2020 (Unaudited) CNY'000
Bank interest income	109	202	470	476
Release of government grant for property, plant and equipment	20	20	40	40
Others	148	82	166	20
	<u>277</u>	<u>304</u>	<u>676</u>	<u>536</u>

5. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2021 CNY'000 (Unaudited)	2020 CNY'000 (Unaudited)	2021 CNY'000 (Unaudited)	2020 CNY'000 (Unaudited)
Interest expenses on lease liability	23	2	59	6
Unwinding of discount on provision for dismantlement	114	112	229	217
	137	114	288	223

6. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2021 CNY'000 (Unaudited)	2020 CNY'000 (Unaudited)	2021 CNY'000 (Unaudited)	2020 CNY'000 (Unaudited)
Current tax:				
PRC Enterprise Income Tax ("EIT")	296	40	397	208
Deferred taxation:				
Current period	128	(24)	114	(155)
	424	16	511	53

Notes:

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

7. PROFIT (LOSS) FOR THE PERIOD

	Three months ended 30 June		Six months ended 30 June	
	2021 CNY'000 (Unaudited)	2020 CNY'000 (Unaudited)	2021 CNY'000 (Unaudited)	2020 CNY'000 (Unaudited)
Profit (loss) for the period has been arrived at after charging:				
Amortisation of intangible asset	18	13	36	41
Amortisation of prepaid lease payments	20	20	39	39
Amount of inventories recognised as an expenses	7,040	4,788	14,215	10,183
Exchange loss/(gain), net	(14)	(71)	38	(70)
Depreciation of property, plant and equipment	470	464	1,033	695
Amortisation of land-use right	102	102	204	204

8. DIVIDEND

No dividend was paid, declared or proposed during the Reporting Period, nor has any dividend been proposed since the end of the Reporting Period (six months ended 30 June 2020: nil).

9. EARNINGS (LOSS) PER SHARE

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

Three months ended 30 June		Six months ended 30 June	
2021	2020	2021	2020
CNY'000	CNY'000	CNY'000	CNY'000
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)

Earnings/(loss)

Earnings (loss) for the purpose of basic and diluted earnings (loss) per share

508	(334)	(608)	(1,074)
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Three months ended 30 June		Six months ended 30 June	
2021	2020	2021	2020
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)

Number of shares

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

795,572	670,572	795,572	670,572
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Basic and diluted earnings (loss) per share (*CNY*)

0.06 cents	(0.05) cents	(0.07) cents	(0.16) cents
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Note:

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

10. PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, the Group spent approximately CNY752,000 (six months ended 30 June 2020: approximately CNY282,000) on acquisition of property, plant and equipment.

During the Reporting Period, the Group has certain property, plant and equipment with an aggregate carrying values of CNY209,000 (six months ended 30 June 2020: Nil) for no cash proceeds (six months ended 30 June 2020: nil), resulting in a loss on disposal of CNY209,000 (six months ended 30 June 2020: Nil).

11. INTANGIBLE ASSET

During the six months end 30 June 2021, the Group did not spend any expenditure (2020: nil) in relation to the mining site.

12. TRADE, BILLS AND OTHER RECEIVABLES

	At 30 June 2021 CNY'000 (Unaudited)	At 31 December 2020 CNY'000 (Audited)
Trade receivables – goods	7,578	6,337
Trade receivables – wealth management services	585	625
Loan interest receivables	6,159	5,965
Guarantee service fee receivables	1,100	500
Less: loss allowance (<i>Note (a)</i>)	(607)	(178)
	14,815	13,249
Bill receivables	14,447	22,799
Prepayments and deposits	567	695
Other receivables	2,719	2,307
Less: loss allowances (<i>Note (b)</i>)	(54)	(53)
	32,494	38,997

As at 30 June 2021 and 31 December 2020, trade receivables from contracts with customers amounted to CNY14,815,000 and CNY13,249,000 respectively.

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

The Group offers revolving credit to two of its customers amounted approximately CNY900,000 as at 30 June 2021 (31 December 2020: two customers amounted CNY900,000). This revolving credit provides for a predetermined credit limit that may be outstanding at any one time based on their background, credit history, length of business relationship and historical transaction amounts. The Group generally evaluates the credit limits granted to the customer annually upon renewal of the relevant sales agreements and upon special request from the customers. The Group held charges on such customers' vehicles as collaterals over the balance of approximately CNY900,000 as at 30 June 2021 (31 December 2020: 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 CNY13,915,000 as at 30 June 2021 (31 December 2020: CNY11,849,000), the Group does not hold any collateral over these amounts.

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

	At 30 June 2021 CNY'000 (Unaudited)	At 31 December 2020 CNY'000 (Audited)
Within 30 days	11,995	11,995
31 to 60 days	128	634
61 to 90 days	71	315
Over 91 days	2,621	305
	<hr/>	<hr/>
Total	14,815	13,249

As at 30 June 2021 and 31 December 2020, 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 0.10% to 2.18% per annum (31 December 2020: 0.10% to 2.18% 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 2020: 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 2020: 1.95% per annum) and will be released upon the expiry of the relevant banking facilities.

Bank balances and cash

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

	At 30 June 2021 CNY'000 (Unaudited)	At 31 December 2020 CNY'000 (Audited)
Cash at bank and in hand	30,073	28,021
Short-term bank deposits	3,465	3,492
Bank balances and cash shown in the condensed consolidated statement of financial position	33,538	31,513
Less: Bank deposits with a maturity of more than three months	(636)	(630)
Cash and cash equivalents shown in the condensed consolidated statement of cash flows (<i>Note</i>)	32,902	30,883

Note:

Bank balances and bank deposits carried at prevailing market rates ranging from 0.25% to 1.89% per annum during the Reporting Period (31 December 2020: 0.10% to 1.89% per annum).

14. TRADE AND OTHER PAYABLES

	At 30 June	At 31 December
	2021	2020
	CNY'000	CNY'000
	(Unaudited)	(Audited)
Trade payables (<i>Note a</i>)	5,968	5,066
Other payables and accruals	15,477	16,862
Contract liabilities (<i>Note b</i>)	96	469
	<hr/>	<hr/>
	21,541	22,397
	<hr/> <hr/>	<hr/> <hr/>

(a) Trade payable

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

	At 30 June	At 31 December
	2021	2020
	CNY'000	CNY'000
	(Unaudited)	(Audited)
Within 30 days	5,878	3,674
31 to 60 days	67	901
61 to 90 days	17	74
91 to 365 days	6	289
Over 1 year	-	128
	<hr/>	<hr/>
Total	5,968	5,066
	<hr/> <hr/>	<hr/> <hr/>

The average credit period granted is 30 days.

14. TRADE AND OTHER PAYABLES (Cont'd)

(b) Contract liabilities

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

	At 30 June 2021 CNY'000 (Unaudited)	At 31 December 2020 CNY'000 (Audited)
Contract liabilities arising from:		
Sales of goods	96	469

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

Movements in contract liabilities:

	At 30 June 2021 CNY'000 (Unaudited)	At 31 December 2020 CNY'000 (Audited)
Balance as at 1 January	469	1,834
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	(469)	(1,834)
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	96	469
Balance at 30 June/31 December	96	469

15 LOAN FROM A SHAREHOLDER

	At 30 June 2021 CNY'000 (Unaudited)	At 31 December 2020 CNY'000 (Unaudited)
Current liabilities		
Loan from a shareholder	416	–

As at 30 June 2021, loan of HK\$500,000 (equivalent to CNY416,000) is advanced from P.B. Asia Holdings Limited, a shareholder of the Company, and is unsecured, interest-free and due for repayment on 31 December 2021.

16. SHARE CAPITAL

	Number of shares	Share capital <i>(Equivalent to)</i>	
		<i>HK\$'000</i>	<i>CNY'000</i>
Ordinary share of HK\$0.01 each			
Authorised			
31 December 2020 and 30 June 2021	10,000,000,000	100,000	
Issued and fully paid			
At 31 December 2020 and 30 June 2021	795,572,000	7,956	6,753

17. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

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

No share options have been granted since the adoption of the Scheme and during the Reporting Period (six months ended 30 June 2020: nil).

18. RELATED PARTY TRANSACTIONS

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

Compensation to key management personnel

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

	Three months ended 30 June		Six months ended 30 June	
	2021 CNY'000 (Unaudited)	2020 CNY'000 (Unaudited)	2021 CNY'000 (Unaudited)	2020 CNY'000 (Unaudited)
Short-term benefits	341	165	702	280
Post employment benefit	4	-	8	-
	<u>345</u>	<u>165</u>	<u>710</u>	<u>280</u>

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

Loan from a shareholder

As at 30 June 2021, loan of HK\$500,000 (equivalent to CNY416,000) is advanced from P.B. Asia Holdings Limited, a shareholder of the Company, and is unsecured, interest-free and due for repayment on 31 December 2021.