
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in P.B. Group Limited, you should at once hand the Prospectus Documents to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, 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 prospectus.

A copy of each of the Prospectus Documents, together with the documents specified in the paragraph headed “Documents delivered to the Registrar of Companies” in Appendix III to this prospectus, have been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Registrar of Companies in Hong Kong, The Stock Exchange of Hong Kong Limited and the Securities and Futures Commission of Hong Kong take no responsibility for the contents of any of the Prospectus Documents.

Subject to the grant of the listing of, and permission to deal in the Rights Shares on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Rights Shares on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

This prospectus appears for information purposes only and does not constitute an invitation or offer to the Shareholders or any other persons to acquire, purchase, or subscribe for securities of the Company.

Distribution of this prospectus into jurisdictions other than Hong Kong may be restricted by law. Persons who come into possession of this prospectus should acquaint themselves with and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This prospectus is not for release, publication or distribution, directly or indirectly, in or into the United States of America. This prospectus is for information purposes only and shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale or purchase of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The securities referred to herein have not been and will not be registered under the US Securities Act or the laws of any state or jurisdiction of the United States of America, and may not be offered or sold within the United States of America, absent registration or an exemption from the registration requirements of the US Securities Act and applicable state laws. There is no intention to register any portion of the rights issue or any securities described herein in the United States of America or to conduct a public offering of securities in the United States of America.



(incorporated in Cayman Islands with limited liability)

(Stock code: 8331)

RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY ONE (1) SHARE HELD ON THE RECORD DATE

Underwriter to the Rights Issue

P.B. Asia Holdings Limited

Capitalised terms used in this cover page have the same meanings as defined in this prospectus.

It should be noted that the Underwriting Agreement contains provisions entitling the Underwriter by notice in writing to the Company served prior to 4:00 p.m. on Thursday, 25 November 2021 to terminate the obligations of the Underwriter thereunder on the occurrence of certain events. Such events are set out in the section headed “Termination of the Underwriting Agreement” of this prospectus. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Rights Issue will not proceed.

Dealings in the Rights Shares in the nil-paid form will take place from Thursday, 11 November 2021 to Friday, 19 November 2021 (both days inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed. Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or the Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its/their own professional advisers. The latest time for acceptance of and payment for the Rights Shares is at 4:00 p.m. on Wednesday, 24 November 2021. The procedures for application and payment for the Rights Shares are set out on pages 21 and 22 of this prospectus.

9 November 2021

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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

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DEFINITIONS

In this Prospectus, the following expressions have the following meanings unless the context requires otherwise:

“acting in concert”	has the same meaning ascribed thereto under the Takeovers Code
“Announcement”	the announcement of the Company dated 16 July 2021 in relation to, among other things, the Share Consolidation, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver
“associate(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day on which licensed banks in Hong Kong are generally open for business, other than a Saturday or a Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is issued in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not cancelled at or before 12:00 noon
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular of the Company dated 4 October 2021 in relation to, among other matters, the Share Consolidation, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver
“Company”	P.B. Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the GEM (stock code: 8331)
“Compensatory Arrangements”	the arrangement involving the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent pursuant to the Placing Agreement in accordance with Rule 10.31(1)(b) of the GEM Listing Rules
“connected person(s)”	has the same meaning ascribed thereto under the GEM Listing Rules

DEFINITIONS

“controlling shareholder(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“COVID-19”	coronavirus disease 2019, an infectious disease caused by severe acute respiratory syndrome coronavirus (SARS-CoV-2)
“Director(s)”	the director(s) of the Company
“Dr. Chan”	Dr. Chan Man Fung, the Co-chairman of the Company and an executive Director
“EGM”	the extraordinary general meeting of the Company held on Tuesday, 26 October 2021 to consider, among others, the Share Consolidation, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder respectively and the Whitewash Waiver
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange as amended by the Stock Exchange from time to time
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholder(s)”	the Shareholder(s) other than: (i) the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates; (ii) the Underwriter, Dr. Chan, Mr. Pui, its/his associate(s) and parties acting in concert with any one of them; (iii) Mr. Zhang Qiang and his associates; and (iv) any Shareholders who are involved in, or interested in the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder respectively and/or the Whitewash Waiver

DEFINITIONS

“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which, as far as the Directors are aware after having made all reasonable enquiries, is/are not a connected person(s) of the Company
“Irrevocable Undertakings”	the irrevocable undertakings set out in the Underwriting Agreement and given by each of the Underwriter and Dr. Chan in favour of the Company, the details of which are set out in the paragraph headed “The Irrevocable Undertakings” in the section headed “Rights Issue” in this Prospectus
“Last Trading Day”	Friday, 16 July 2021, being the last trading day of the Old Shares on the Stock Exchange immediately prior to the publication of the Announcement
“Latest Placing Date”	Tuesday, 30 November 2021 or such later date as the Company and the Placing Agent may agree in writing, being the latest date for the Placing Agent to place the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares
“Latest Practicable Date”	3 November 2021, being the latest practicable date prior to the publication of this Prospectus for the purpose of ascertaining certain information contained in this Prospectus
“Latest Time for Acceptance”	4:00 p.m. on Wednesday, 24 November 2021 (or such other time and date as may be determined by the Company), being the latest time for acceptance of and payment for the Rights Shares
“Latest Time for Termination”	4:00 p.m. on Thursday, 25 November 2021 or such later time or date as may be agreed between the Underwriter and the Company, being the latest time to terminate the Underwriting Agreement
“Mr. Pui”	Mr. Pui Wai Lun, the Co-chairman of the Company and an executive Director

DEFINITIONS

“Net Gain”	the aggregate of any premium (being the aggregate amount paid by the Placees after deducting (i) the aggregate amount of the Subscription Price for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares placed by the Placing Agent under the Compensatory Arrangements; and (ii) the aggregate amount of the expenses of the Placing Agent and any other related expenses/fees)
“No Action Shareholder(s)”	those Qualifying Shareholder(s) who does/do not subscribe for the Rights Shares (whether partially or fully) under the PALs, its/their renouncees, or such person(s) who hold(s) any nil-paid rights at the time such nil-paid rights are lapsed (including the Non-Qualifying Shareholders in respect of NQS Unsold Rights Shares)
“Non-Qualifying Shareholder(s)”	those Overseas Shareholder(s) to whom the Directors, after making enquiries, consider it necessary or expedient not to offer the Rights Issue on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“NQS Unsold Rights Share(s)”	the Rights Share(s) which would otherwise have been provisionally allotted to the Non-Qualifying Shareholder(s) in nil-paid form that has/have not been sold by the Company
“Old Share(s)”	ordinary share(s) of par value HK\$0.01 each in the share capital of the Company immediately prior to the Share Consolidation taking effect
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose registered address(es) as shown on such register at that time is (are) in (a) place(s) outside Hong Kong
“PAL(s)”	the renounceable provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue

DEFINITIONS

“Placee(s)”	professional, institutional or other investor(s), who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies) and not acting in concert with the connected persons of the Company, the Underwriter, Dr. Chan, Mr. Pui or any of their respective associates, procured by the Placing Agent and/or its sub-placing agent(s) to subscribe for any of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares pursuant to the Placing Agreement
“Placing”	the offer by way of private placing of a maximum of 60,153,400 Unsubscribed Rights Shares and the NQS Unsold Rights Shares first on a best effort basis then a maximum of 3,562,800 Underwritten Placing Shares on a fully underwritten basis by the Placing Agent and/or its sub-placing agents(s) to the Placees on the terms and subject to the conditions of the Placing Agreement
“Placing Agent”	CIS Securities Asset Management Limited, a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO, being the placing agent appointed by the Company pursuant to the Placing Agreement to place any Unsubscribed Rights Shares and the NQS Unsold Rights Shares under the Compensatory Arrangements in accordance with Rule 10.31(1)(b) of the GEM Listing Rules
“Placing Agreement”	the placing agreement dated 16 July 2021 (and supplemented on 30 September 2021) and entered into between the Company and the Placing Agent in relation to the Placing
“PRC”	the People’s Republic of China which, for the purpose of geographical reference in this Prospectus, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Prospectus”	this prospectus in connection with the Rights Issue
“Prospectus Documents”	this Prospectus and the PAL

DEFINITIONS

“Prospectus Posting Date”	Tuesday, 9 November 2021, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders and the Prospectus for information only to the Non-Qualifying Shareholders (as the case may be)
“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholders, whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	Monday, 8 November 2021, being the record date for determining entitlements of Shareholders to participate in the Rights Issue
“Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, being Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Rights Issue”	the proposed issue by way of rights of one (1) Rights Share for every one (1) Share in issue and held on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Prospectus Documents
“Rights Share(s)”	the new Share(s) to be allotted and issued under the Rights Issue
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of par value HK\$0.1 each in the share capital of the Company
“Share Consolidation”	the consolidation of every ten (10) issued and unissued Old Shares of par value HK\$0.01 each into one (1) Share of par value HK\$0.1 on 28 October 2021
“Shareholder(s)”	holder(s) of the Old Share(s) and/or the Shares (as the case may be)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Subscription Price”	HK\$0.35 per Rights Share
“substantial shareholder(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriter”	P.B. Asia Holdings Limited, a company incorporated in the British Virgin Islands with limited liability which is owned as to 50% by Dr. Chan and 50% by Mr. Pui
“Underwriting Agreement”	the underwriting agreement dated 16 July 2021 (and supplemented on 30 September 2021) and entered into among the Company, the Underwriter and Dr. Chan in relation to the underwriting arrangement in respect of the Rights Issue
“Underwritten Placing Shares”	such number of Unsubscribed Rights Shares or NQS Unsold Rights Shares representing the difference between 3,562,800 Rights Shares and the actual number of Rights Shares for which valid acceptances have been received by the Company or successfully placed to the Placees by the Placing Agent on best effort basis
“Underwritten Shares”	60,153,400 Rights Shares to be underwritten by the Underwriter pursuant to the terms and conditions of the Underwriting Agreement
“Unsubscribed Rights Shares”	those Rights Shares that are not subscribed by the Qualifying Shareholders
“Whitewash Waiver”	a waiver conditionally granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligation of the Underwriter to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by the Underwriter and parties acting in concert with it which would otherwise arise as a result of the taking up Unsubscribed Rights Shares, the NQS Unsold Rights Shares and the unsold faction of the Rights Shares pursuant to the Underwriting Agreement
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong

DEFINITIONS

“CNY” Chinese yuan, the lawful currency of the PRC

“%” per cent.

* *The English names used in this Prospectus are just the transliteration of the Chinese names for reference only and shall not be regarded as formal names.*

EXPECTED TIMETABLE

Set out below is the expected timetable for the Rights Issue. All times and dates stated in this Prospectus refer to Hong Kong local times and dates. The expected timetable below is indicative only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled. The expected timetable is subject to change and further announcement(s) will be made by the Company should there be any changes to the expected timetable:

Event	Date
Despatch of the Prospectus Documents	Tuesday, 9 November 2021
First day of dealings in nil-paid Rights Shares	Thursday, 11 November 2021
Original counter for trading in the Shares in board lots of 10,000 Shares (in the form of new share certificates) reopens	9:00 a.m. on Thursday, 11 November 2021
Parallel trading in the Shares (in the form of both existing share certificates and new share certificates) commences	9:00 a.m. on Thursday, 11 November 2021
Designated broker starts to stand in the market to provide matching services for odd lots of the Shares	9:00 a.m. on Thursday, 11 November 2021
Latest time for splitting the PAL	4:30 p.m. on Tuesday, 16 November 2021
Last day of dealing in nil-paid Rights Shares	Friday, 19 November 2021
Latest time for lodging transfer documents of nil-paid Rights Shares in order to qualify for the payment of Net Gain	4:00 p.m. on Wednesday, 24 November 2021
Latest time for acceptance of and payment for the Rights Shares	4:00 p.m. on Wednesday, 24 November 2021
Latest time to terminate the Underwriting Agreement and for the Rights Issue to become unconditional	4:00 p.m. on Thursday, 25 November 2021

EXPECTED TIMETABLE

Event	Date
Announcement of the number of Unsubscribed Rights Shares subject to the Compensatory Arrangements and the NQS Unsold Rights Shares	Thursday, 25 November 2021
Commencement of placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent	Friday, 26 November 2021
Latest time of placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent	5:00 p.m. on Tuesday, 30 November 2021
Designated broker ceases to provide matching services for odd lots of the Shares	4:00 p.m. on Wednesday, 1 December 2021
Temporary counter for trading in the Shares in board lots of 1,000 Shares (in the form of existing share certificates) closes	4:10 p.m. on Wednesday, 1 December 2021
Parallel trading in Shares (represented by both existing share certificates and new share certificates) ends	4:10 p.m. on Wednesday, 1 December 2021
Announcement of allotment results of the Rights Issue (including results of the placing of Unsubscribed Rights Shares and the NQS Unsold Rights Shares)	Thursday, 2 December 2021
Despatch of share certificates for fully-paid Rights Shares and refund cheques (if the Rights Issue is terminated)	Friday, 3 December 2021
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Monday, 6 December 2021
Latest time for free exchange of existing share certificates for new share certificates	4:30 p.m. on Monday, 6 December 2021
Payment of Net Gain to relevant No Action Shareholders (if any)	Thursday, 16 December 2021

EXPECTED TIMETABLE

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS SHARES

The Latest Time for Acceptance of and payment for the Rights Shares will not take place if:

1. typhoon signal No. 8 (or above);
2. “extreme conditions” caused by super typhoons as announced by the Government of the Hong Kong Special Administrative Region; or
3. a “black” rainstorm warning
 - (i) is/are in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Wednesday, 24 November 2021. Instead the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
 - (ii) is/are in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Wednesday, 24 November 2021. Instead the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance and payment for the Rights Shares are postponed in accordance with the foregoing, the dates of the events subsequent to the Latest Time for Acceptance mentioned in this section may be affected. An announcement will be made as soon as practicable by the Company in such event.

TERMINATION OF THE UNDERWRITING AGREEMENT

Pursuant to the Underwriting Agreement, the Underwriter shall be entitled, by notice in writing to the Company served prior to the Latest Time for Termination, to terminate the Underwriting Agreement if, prior to the Latest Time for Termination (provided that for the purposes of the Underwriting Agreement if the date of the Latest Time for Termination shall be a Business Day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day, the date of the Latest Time for Termination shall be the next Business Day on which no tropical cyclone warning signal no. 8 or above or no black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day):

- (1) in the sole and absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the sole and absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the sole and absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or

TERMINATION OF THE UNDERWRITING AGREEMENT

- (3) there is any change in the circumstances of the Company or any member of the Group which in the sole and absolute opinion of the Underwriter will adversely affect the prospects of the Group, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of the Company or the destruction of any material asset of any member of the Group; or
- (4) there is any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (5) there is any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of any of the Underwriter, a material omission in the context of the Rights Issue; or
- (7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue,

If prior to the Latest Time for Termination any such notice as is referred to above is given by the Underwriter, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine.

If the Underwriter exercises such right of termination, the Underwriting Agreement will not become unconditional and the Rights Issue will not proceed. Further announcement will be made if the Underwriting Agreement is terminated by the Underwriter. Upon termination of the Underwriting Agreement, the obligations of the Underwriter and the Company under the Underwriting Agreement shall terminate and cease and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement save in respect of any antecedent breach of any obligation under it.

LETTER FROM THE BOARD



(incorporated in Cayman Islands with limited liability)
(Stock code: 8331)

Executive Directors:

Dr. CHAN Man Fung (Co-chairman)
Mr. PUI Wai Lun (Co-chairman)
Mr. SU Chun Xiang
Mr. PANG Ho Yin (Chief Executive Officer)

Registered office:

71 Fort Street
P.O. Box 500, George Town
Grand Cayman KY1-1106
Cayman Islands

Independent Non-executive Directors:

Mr. YIP Chong Ho Eric
Mr. CHOW Chi Hang Tony
Mr. ZHANG Kun

Principal place of

business in Hong Kong:
Room 402A, 4/F
Park Commercial Centre
180 Tung Lo Wan Road
Causeway Bay, Hong Kong

9 November 2021

*To the Qualifying Shareholders and, for information only,
the Non-Qualifying Shareholders,*

Dear Sir or Madam,

RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY ONE (1) SHARE HELD ON THE RECORD DATE

INTRODUCTION

References are made to the Announcement, the Circular and the announcement of the Company dated 26 October 2021 in relation to, among other things, the Share Consolidation, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver.

On 16 July 2021, the Board announced that, among other matters, the Company proposed the Rights Issue on the basis of one (1) Rights Share for every one (1) Share held on the Record Date at the Subscription Price of HK\$0.35 per Rights Share. The Rights Issue is subject to the fulfilment of certain conditions as set out in the paragraph headed “Conditions of the Underwriting Agreement” in the section headed “The Underwriting Agreement” in this letter.

LETTER FROM THE BOARD

At the EGM held on 26 October 2021, the resolutions in respect of the Share Consolidation, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver were duly passed by way of poll. The Share Consolidation became effective on Thursday, 28 October 2021.

The purpose of this Prospectus is to provide you with further information regarding details of the Rights Issue and certain information in respect of the Group.

RIGHTS ISSUE

Rights Issue Statistics

Details of the Rights Issue are set out as follows:

Basis of the Rights Issue	:	One (1) Rights Share for every one (1) Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.35 per Rights Share
Net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue)	:	Approximately HK\$0.33 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	79,557,200 Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	:	79,557,200 Rights Shares
Aggregate nominal value of the Rights Shares	:	HK\$7,955,720
Total number of Shares in issue upon completion of the Rights Issue	:	159,114,400 Shares
Gross proceeds from the Rights Issue	:	Approximately HK\$27.8 million before expenses

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into the Shares.

Based on the 79,557,200 Shares in issue as at the Record Date, upon completion of the Rights Issue, 79,557,200 Rights Shares will be issued.

Assuming there is no further issue or repurchase of Shares on or before the Record Date, the 79,557,200 Rights Shares proposed to be allotted and issued pursuant to the terms of the Rights Issue represent 100% of the total number of issued Shares as at the Latest Practicable Date and 50% of the total number of issued Shares as enlarged immediately upon completion of the Rights Issue.

The Subscription Price

The Subscription Price of HK\$0.35 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, and, where applicable, when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 36.4% to the theoretical closing price of HK\$0.55 per Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.055 per Old Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 31.4% to the theoretical closing price of HK\$0.51 per Share (after taking into account the effect of the Share Consolidation) based on the average closing price of HK\$0.051 per Old Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 31.4% to the average theoretical closing price of approximately HK\$0.51 per Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.051 per Old Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 22.2% to the theoretical ex-rights price of approximately HK\$0.45 per Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.055 per Old Share as quoted on the Stock Exchange on the Last Trading Day;

LETTER FROM THE BOARD

- (v) a discount of approximately 33.3% to the closing price of HK\$0.525 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (vi) a discount of approximately 74.8% to the net asset value of the Company of approximately HK\$1.39 per Share based on the audited consolidated net asset value per Share of HK\$0.139 as at 31 December 2020 and the 79,557,200 Shares in issue as at the Latest Practicable Date; and
- (vii) a discount of approximately 75.0% to the net asset value of the Company of approximately HK\$1.40 per Share based on the unaudited consolidated net asset value per Share of HK\$0.14 as at 30 June 2021 and the 79,557,200 Shares in issue as at the Latest Practicable Date.

The Rights Issue would result in a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules and taking into account the Share Consolidation) of approximately 18.2%, representing a discount of the theoretical diluted price of approximately HK\$0.45 per Share (after taking into account the effect of the Share Consolidation) to the benchmarked price of HK\$0.55 per Share (after taking into account the effect of the Share Consolidation).

The aforesaid benchmarked price is based on the higher of the closing price on the date of the Announcement of HK\$0.055 per Old Share and the average of the closing prices of the Old Shares as quoted on the Stock Exchange in the five (5) consecutive trading days immediately prior to the date of the Announcement of HK\$0.051 per Old Share. The aforesaid theoretical diluted price has taken into account the sum of (i) the product of the said benchmarked price and the 79,557,200 Shares in issue immediately before the Rights Issue; and (ii) the gross proceeds from the Rights Issue of approximately HK\$27.8 million, and divided by the 159,114,400 Shares in issue upon completion of the Rights Issue, assuming there is no other change in the number of Shares in issue on or before the Record Date.

The terms of the Rights Issue, including, the Subscription Price, were determined after arm's length negotiations between the Company and the Underwriter, taking into account, among others, (i) the prevailing market conditions of the capital market in Hong Kong and the impact of COVID-19 pandemic; (ii) that it is not uncommon for listed companies on the Stock Exchange to issue rights shares at a discount to the prevailing market price in order to enhance the attractiveness of the rights issue; (iii) the comparison between the prevailing market prices of the Shares prior to the Last Trading Day (the average closing price per Old Share as quoted on the Stock Exchange for the last 5 consecutive trading days immediately prior to the Last Trading Day was HK\$0.51 (taking into account the effect of the Share Consolidation)) and discounts to subscription price of recently completed rights issue exercises in the market; (iv) the imminent funding and capital needs of the Company in Hong Kong more particularly disclosed in the paragraph headed "Reasons for the Rights Issue and use of proceeds" in this letter; and (v) the reasons and benefits of Rights Issue as discussed in the paragraph headed "Reasons for the Rights Issue and use of proceeds" in this letter.

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In view of the above, and having considered that all the Qualifying Shareholders will be offered equal opportunity to subscribe for the Rights Shares by way of provisional allotment, the Directors consider that the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

Status of the Rights Shares

The Rights Shares (when allotted, fully paid or credited as fully paid and issued) will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the fully paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the fully paid Rights Shares.

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date and not be a Non-Qualifying Shareholder.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider the said nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company.

The Qualifying Shareholders who take up their pro-rata entitlement in full will not experience any dilution to their interests in the Company. **If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.**

Basis of provisional allotments

The basis of the provisional allotment shall be one (1) Rights Share (in nil-paid form) for every one (1) Share held by the Qualifying Shareholders as at the close of business on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered or filed under the securities law of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

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Based on the register of members of the Company as at the Latest Practicable Date, there were twelve Overseas Shareholders with registered addresses situated in the British Virgin Islands and the PRC with details as follows:

Jurisdictions of the registered address of the Overseas Shareholder(s)	Number of Overseas Shareholder(s)	Number of Shares held
British Virgin Islands	1	12,500,000
PRC	<u>11</u>	<u>455,000</u>
Total	<u><u>12</u></u>	<u><u>12,955,000</u></u>

Save as disclosed above, there were no other Overseas Shareholders as at the Latest Practicable Date. The total shareholding of the Overseas Shareholders represents approximately 16.28% of total issued Shares as at the Latest Practicable Date.

Having made reasonable enquiries of the legal requirements regarding the feasibility of extending the Rights Issue to the Overseas Shareholders with registered addresses in the jurisdictions set out above (as shown in the register of members of the Company as at the Latest Practicable Date) in compliance with 17.41(1) of the GEM Listing Rules and taken into account the legal advice provided by the respective legal advisers of the British Virgin Islands and the PRC engaged by the Company, the Directors are of the view that the relevant overseas legal restrictions and requirements of the relevant regulatory body or Stock Exchange do not make it necessary or expedient to exclude the Overseas Shareholders with registered addresses in the British Virgin Islands and the PRC from the Rights Issue. Accordingly, the Rights Issue will be offered to the Overseas Shareholders in those jurisdictions.

It is the responsibility of the Shareholders, including the Overseas Shareholders, wishing to make an application for the Rights Shares, to satisfy himself/herself/itself before taking up his/her/its provincial allotments under the Rights Issue, as to the observance of the laws and regulations of all relevant jurisdictions, including the obtaining of any governmental or other consents and to pay any taxes and duties required to be paid in such jurisdiction in connection with the taking up and onward sale of the Rights Shares.

The Company will continue to ascertain whether there are any other Overseas Shareholders at the Record Date and will, if necessary, make further enquiries with legal advisers in other overseas jurisdictions regarding the feasibility of extending the Rights Issue to such Overseas Shareholders as at the Record Date. The Company will send the Prospectus to the Non-Qualifying Shareholders (if any) for their information only, but will not send any PAL to them.

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The Non-Qualifying Shareholders (if any, which are excluded from the Rights Issue) will not have any entitlement under the Rights Issue. However, arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, to be sold in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, will be paid pro rata (but rounded down to the nearest cent) to the Non-Qualifying Shareholders in Hong Kong dollars, except that the Company will retain individual amounts of less than HK\$100 for its own benefit. Any NQS Unsold Rights Shares will first be placed by the Placing Agent under the Placing Agreement together with the Unsubscribed Rights Shares, and if unsuccessfully sold, will be taken up by the Underwriter.

Net Gain (if any) will be paid (without interest) on a pro-rata basis (but rounded down to the nearest cent) to the relevant No Action Shareholders according to their shareholdings held on the Record Date in Hong Kong dollars on the basis of all NQS Unsold Rights Shares and Unsubscribed Rights Shares. The Company will retain individual amounts of less than HK\$100 for its own benefit.

For the nil-paid Rights Shares that are sold in the market by the Company as described above, if the buyer(s) of such nil-paid Rights Shares does/do not take up the entitlement, such Unsubscribed Rights Shares will be subject to the Compensatory Arrangements.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue, subject to the results of enquiries made by the Directors pursuant to Rule 17.41(1) of the GEM Listing Rules. The Company reserves the right to treat as invalid any acceptance of Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders and beneficial owners of the Shares who are residing outside Hong Kong should exercise caution when dealing in the Shares.

The Rights Issue does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, nil-paid Rights Shares or fully-paid Rights Shares or to take up any entitlements to nil-paid Rights Shares or fully-paid Rights Shares in any jurisdiction in which such an offer or solicitation is unlawful. Shareholders and beneficial owners of the Shares (including, without limitation, their respective agents, custodians, nominees and trustees) should inform themselves of and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

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Procedures for acceptance, splitting of provisional allotment and payment and/or transfer of the Rights Shares

Qualifying Shareholders will find enclosed with this Prospectus a PAL which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of Rights Shares shown therein. If the Qualifying Shareholders wish to accept all the Rights Shares provisionally allotted to them as specified in the PALs, they must lodge the PALs in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:00 p.m. on Wednesday, 24 November 2021. All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by cashier's orders which must be issued by, a licensed bank in Hong Kong and made payable to **"TRICOR INVESTOR SERVICES LIMITED – A/C NO.023"** and crossed **"Account Payee Only"**.

It should be noted that unless the PAL, together with the appropriate remittance, have been lodged with the Registrar by not later than 4:00 p.m. on 24 November 2021, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled. The Company may, at its sole absolute discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions. The Company may require the relevant person(s) to complete the incomplete PAL at a later stage.

If the Qualifying Shareholders wish to accept only part of their provisional allotment or transfer part of their rights to subscribe for the Rights Shares provisionally allotted to them under the PAL or to transfer part or all of their rights to more than one person, the entire PAL must be surrendered and lodged for cancellation by no later than 4:30 p.m. on Tuesday, 16 November 2021 to the Registrar, who will cancel the original PAL and issue new PALs in the denominations required which will be available for collection from the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong after 9:00 a.m. on the second Business Day following the surrender of the original PAL. This process is commonly referred to as "splitting" of nil-paid Rights Shares. It should be noted that stamp duty is payable in connection with a transfer of rights to subscribe for the Rights Shares.

The Company reserves the right to refuse to register any transfer in favour of any person in respect of which the Company believes such transfer may violate applicable legal or regulatory requirements.

The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders. All cheques or cashier's orders accompanying completed PALs will be presented for payment immediately following receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the

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PAL with a cheque or a cashier's order will constitute a warranty by such person that the cheque or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the cheque or cashier's order is dishonoured on first presentation, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled. No receipt will be given in respect of any application monies received.

If the Underwriter exercises the right to terminate the Underwriting Agreement or if any of the conditions of the Rights Issue as set out in the paragraph headed "Conditions of the Underwriting Agreement" in the section headed "The Underwriting Agreement" is not fulfilled by the Latest Time for Acceptance, the remittance received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in the nil-paid form have been validly transferred or, in the case of joint acceptances, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders or such other persons to their registered addresses by the Registrar on Friday, 3 December 2021.

Share certificates of the Rights Shares and refund cheques for the Rights Issue

Subject to fulfilment of the conditions of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be sent on Friday, 3 December 2021 to those entitled thereto by ordinary post, at their own risk, to their registered addresses. Each allottee will receive one share certificate for all allotted Rights Shares.

If the Underwriting Agreement is terminated or does not become unconditional, refund cheques will be despatched on Friday, 3 December 2021 by ordinary post, at the respective Shareholders' own risk, to their registered addresses.

Fractional entitlement to the Rights Shares

On the basis of the provisional allotment of one (1) Rights Share for every one (1) Share held by the Qualifying Shareholders on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue.

The Irrevocable Undertakings

As at the Latest Practicable Date, the Underwriter, which is owned as to 50% by Dr. Chan and 50% by Mr. Pui, is beneficially interested in 12,500,000 Shares, representing approximately 15.71% of the total issued share capital of the Company as at the Latest Practicable Date, and Dr. Chan is beneficially interested in 3,341,000 Shares, representing approximately 4.20% of the total issued share capital of the Company as at the Latest Practicable Date.

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Pursuant to the Irrevocable Undertakings, each of the Underwriter and Dr. Chan has provided irrevocable and unconditional undertakings to the Company that (a) all the above 15,841,000 Shares held by them in aggregate will continue to be beneficially owned by them on the Record Date; and (b) each of them will accept and pay for all the 15,841,000 Rights Shares to be provisionally allotted to them in aggregate under the Rights Issue pursuant to the terms and conditions of the Prospectus Documents.

The Irrevocable Undertakings shall automatically lapse and be of no further force and effect in the event the Underwriting Agreement is terminated in accordance with its terms at or before the Latest Time for Termination.

Save for the Irrevocable Undertakings, the Company has not received any information or irrevocable undertaking from any substantial shareholder of their intention in relation to the Rights Shares to be provisionally allotted to them under the Rights Issue as at the Latest Practicable Date.

Application for listing

The Company has applied to the GEM Listing Committee for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be allotted and issued pursuant to the Rights Issue. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges. The nil-paid Rights Shares shall have the same board lot size as the fully-paid Rights Shares, i.e. 10,000 Shares in one board lot.

Subject to the granting of the listing of, and the permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange, or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Dealings in the Rights Shares in both nil-paid and fully-paid forms will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy or any other applicable fees and charges in Hong Kong.

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Taxation

Shareholders are advised to consult their professional advisers if they are in any doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the Rights Shares and, regarding the Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sale of the nil-paid Rights Shares on their behalf.

Procedures in respect of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares, and the Compensatory Arrangements

As at the Latest Practicable Date, the Underwriter, which is owned as to 50% by Dr. Chan and 50% by Mr. Pui, is beneficially interested in 12,500,000 Shares, representing approximately 15.71% of the total issued share capital of the Company and is a substantial shareholder of the Company. Pursuant to Rule 10.31(2) of the GEM Listing Rules, as the Underwriter is a substantial shareholder of the Company, the Company must make arrangements described in Rule 10.31(1)(b) of the GEM Listing Rules to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees for the benefit of the Shareholders to whom they were offered by way of the rights issue. There will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 10.31(1)(a) of the GEM Listing Rules.

The Company appointed the Placing Agent to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares after the Latest Time for Acceptance to independent placees, pursuant to the terms of the Placing Agreement as described in the section headed “The Placing Agreement” in this letter. Any premium over the aggregate amount of (i) the Subscription Price for those Rights Shares; and (ii) the expenses of the Placing Agent (including any other related costs and expenses), that is realised from the Placing (the “**Net Gain**”) will be paid to those No Action Shareholders. The Placing Agent will, pursuant to the terms of the Placing Agreement, procure, by no later than 5:00 p.m. on Tuesday, 30 November 2021, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and the NQS Unsold Rights Shares at a price not less than the Subscription Price. Any unsold Unsubscribed Rights Shares and the NQS Unsold Rights Shares under the Compensatory Arrangements will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

Net Gain (if any but rounded down to the nearest cent) will be paid on a pro-rata basis to the No Action Shareholders as set out below:

- (i) where the nil-paid rights are, at the time they lapse, represented by a PAL, to the person whose name and address appeared on the PAL (unless that person is covered by (iii) below); or
- (ii) where the nil-paid rights are, at the time they lapse, registered in the name of HKSCC Nominees Limited, to the beneficial holders (via their respective CCASS participants) as the holder of those nil-paid rights in CCASS; or

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- (iii) where an entitlement to the Rights Shares was not taken up by the Overseas Shareholders, to those Overseas Shareholders.

It is proposed that the Net Gain to any of the No Action Shareholder(s) mentioned above which is in an amount of HK\$100 or more will be paid to them in Hong Kong dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefit.

If the Underwriter exercises its right of termination in accordance with the Underwriting Agreement, the Underwriting Agreement will not become unconditional and the Rights Issue will not proceed.

THE PLACING AGREEMENT

On 16 July 2021, the Company and the Placing Agent entered into the Placing Agreement (as supplemented by a supplemental placing agreement on 30 September 2021), pursuant to which the Placing Agent has agreed to first procure Placee(s) to subscribe for a maximum of 60,153,400 Unsubscribed Rights Shares and the NQS Unsold Rights Shares on a best effort basis, then a maximum of 3,562,800 Underwritten Placing Shares on a fully underwritten basis. Details of the Placing Agreement are as follows:

Date	:	16 July 2021 (as supplemented on 30 September 2021)
Placing Agent	:	CIS Securities Asset Management Limited was appointed as the Placing Agent to procure, Placees to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares.

To the best knowledge, information and belief of the Directors, after making reasonable enquiries, as at the Latest Practicable Date:

- (a) the Placing Agent is an Independent Third Party;
- (b) neither the Placing Agent nor any of its associates hold any Shares; and

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- (c) there is no arrangement, agreement, understanding or undertaking with the Underwriter in relation to the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares, save for the proposed terms of the Underwriting Agreement by which the Underwriter will take up all Unsubscribed Rights Shares and the NQS Unsold Rights Shares and the proposed terms of the Placing Agreement by which the Placing Agent shall first procure a maximum of 60,153,400 Unsubscribed Rights Shares and the NQS Unsold Rights Shares on a best effort basis, then a maximum of 3,562,800 Underwritten Placing Shares on a fully underwritten basis.

- Placing fee and expenses : 1% of the aggregate placing price of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares successfully placed by or on behalf of the Placing Agent.
- Placing price of the Unsubscribed Rights Shares and/or and the NQS Unsold Rights Shares (as the case may be) : The placing price of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares (as the case may be) shall not be less than the Subscription Price.
- The final price determination will be dependent on the demand for and market conditions of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares.
- Placees : The Unsubscribed Rights Shares and the NQS Unsold Rights Shares are expected to be placed to the Placees who and whose ultimate beneficial owner(s) are Independent Third Parties, and not a party acting in concert with the Underwriter, Dr. Chan, Mr. Pui or any of their respective associates.
- Ranking of Unsubscribed Rights Shares and the NQS Unsold Rights Shares : The Unsubscribed Rights Shares and the NQS Unsold Rights Shares (when placed, allotted, issued and fully paid) shall rank *pari passu* in all respects among themselves and with the Shares then in issue.
- Conditions precedent : The obligations of the Placing Agent under the Placing Agreement are conditional upon the Underwriting Agreement becoming unconditional and not terminated in accordance with the Underwriting Agreement.

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Completion date : The second Business Day after the Latest Placing Date or such other date as the Company and the Placing Agent may agree in writing.

Termination : The Placing Agent may terminate the Placing Agreement without any liability to the Company, by giving notice in writing to the Company at any time prior to 4:00 p.m. one day before the completion date of the Placing upon the occurrence of the following events which, in the absolute opinion of the Placing Agent, has or may have an adverse material effect on the business or financial conditions of the Group taken as a whole or the success of the Placing or otherwise makes it inappropriate to proceed with the Placing on the terms and in the manner contemplated in the Placing Agreement:

- (a) if there develops, occurs or comes into force:
 - (i) any material adverse event, development or change and including an event or change in relation to or a material adverse development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, resulting in a change in, or which may result in a material adverse change in, political, economic, fiscal, financial, regulatory or stock market conditions in Hong Kong; or
 - (ii) the imposition of any moratorium, suspension (for more than seven (7) trading days) or restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise; or
 - (iii) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Group; or

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- (iv) a change or development occurs involving a prospective change of taxation or exchange control (or the implementation of exchange control) in Hong Kong; or
- (b) any breach of any of the representations and warranties set out in the Placing Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the completion date of the Placing which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Company of any other provision of the Placing Agreement; or
- (c) the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are not approved by the relevant regulatory bodies and/or regulatory authorities to be placed to any Placees as contemplated in the Placing Agreement.

The terms of the Placing Agreement (including the placing fee) were determined after arm's length negotiation between the Placing Agent and the Company and are on normal commercial terms. Having discussed with other potential placing agent candidates, the Directors consider that the placing fee charged by the Placing Agent is no less favourable to the Company than the market rate in recent placing transactions and are therefore of the view that the terms of the Placing Agreement are on normal commercial terms.

Given that the Compensatory Arrangements would provide (i) a distribution channel of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares for the Company; and (ii) a channel of participation in the Rights Issue for independent investors, the Directors consider that the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interest of the Shareholders. The Company will ensure that it will continue to comply with the public float requirement under 11.23(7) of the GEM Listing Rules after the Placing and the Rights Issue.

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In the event that the taking up of the Underwritten Shares by the Underwriter pursuant to the Underwriting Agreement would result in public float of the Company not being maintained upon completion of the Placing and the Rights Issue, the Underwriter may take necessary action to place down such number of Shares held by it to subscriber(s) who will be Independent Third Party(ies), and/or the Company may take necessary action to enter into placing arrangement with placing agents to place such number of new Shares to Placee(s) who will be Independent Third Party(ies) and not acting in concert with the connected persons of the Company, the Underwriter, Dr. Chan, Mr. Pui or any of their respective associates, such that sufficient public float could be maintained in compliance with Rule 11.23(7) of the GEM Listing Rules.

THE UNDERWRITING AGREEMENT

On 16 July 2021, the Company, the Underwriter and Dr. Chan entered into the Underwriting Agreement (as supplemented by a supplemental underwriting agreement on 30 September 2021), pursuant to which the Underwriter has conditionally agreed to fully underwrite all the Rights Shares (other than those agreed to be taken up by the Underwriter and Dr. Chan pursuant to the Irrevocable Undertakings and the Underwritten Placing Shares undertaken to be placed by the Placing Agent on a fully underwritten basis pursuant to the Placing Agreement) at the Subscription Price, subject to the terms and conditions of the Underwriting Agreement. Principal terms of the Underwriting Agreement are as follow:

Date : 16 July 2021 (as supplemented on 30 September 2021)

Underwriter : P.B. Asia Holdings Limited

The Underwriter is a company incorporated in the British Virgin Islands with limited liability which is principally engaged in investment holding. As at the Latest Practicable Date, the Underwriter, which is owned as to 50% by Dr. Chan and 50% by Mr. Pui (both being executive Directors), is beneficially interested in 12,500,000 Shares, representing approximately 15.71% of the total issued share capital of the Company and is a substantial shareholder of the Company. As such, the Underwriter is a connected person of the Company under Chapter 20 of the GEM Listing Rules. The principal members of the concert group of the Underwriter are the Underwriter, Dr. Chan and Mr. Pui. It is not in the ordinary course of business of the Underwriter to underwrite securities.

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Total number of Underwritten Shares	:	Up to 60,153,400 Rights Shares (assuming no other change in the number of Shares in issue save for the Share Consolidation on or before the Record Date), representing all the Rights Shares under the Rights Issue other than the 15,841,000 Rights Shares that have been undertaken to be subscribed by the Underwriter and Dr. Chan pursuant to the Irrevocable Undertakings and the Underwritten Placing Shares.
Underwriting commission	:	The Underwriter will not receive any underwriting commission.

Conditions of the Underwriting Agreement

The obligations of the Underwriter to subscribe for the Underwritten Shares pursuant to the Underwriting Agreement are conditional on the fulfilment of the following conditions:

- (i) the passing by the Independent Shareholders at the EGM of the resolutions to approve the Share Consolidation, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver;
- (ii) the granting of the Whitewash Waiver by the Executive (and any such grant not having been withdrawn or revoked) and the satisfaction of any condition(s) attached to the Whitewash Waiver;
- (iii) the GEM Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of and permission to deal in the Rights Shares (in their nil-paid and fully-paid forms);
- (iv) the Share Consolidation having become effective;
- (v) the delivery to the Stock Exchange and registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) not later than the Prospectus Posting Date and otherwise in compliance with the GEM Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong);
- (vi) the posting of the Prospectus Documents to Qualifying Shareholders on the Prospectus Posting Date and the posting of the Prospectus and a letter to the Non-Qualifying Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue within two business days after the Prospectus Posting Date;

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- (vii) compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement;
- (viii) the filing and registration of all relevant documents with the Registrar of Companies in Hong Kong by no later than the Prospectus Posting Date;
- (ix) the Placing Agreement not being terminated on or before the Latest Time for Termination; and
- (x) the Underwriting Agreement is not terminated in accordance with the terms thereof.

None of the above conditions precedent is capable of being waived. If any of the conditions precedent are not satisfied by the Latest Time for Termination (or where appropriate, the times stipulated above or such later time and/or date as the Underwriter may agree with the Company in writing), the Underwriting Agreement shall terminate and no party will have any claim against any other party for costs, damages, compensation or otherwise. As at the Latest Practicable Date, conditions (i), (ii) and (iv) have been fulfilled, conditions (v), (vi) and (viii) above are expected to have been fulfilled on the Prospectus Posting Date and all the other conditions remain unfulfilled.

Subject to the fulfilment of the conditions contained in the Underwriting Agreement and provided that the Underwriting Agreement is not terminated prior to the Latest Time for Termination in accordance with the terms of the Underwriting Agreement, the Underwriter has agreed to underwrite the Underwritten Shares (being any Rights Shares that are provisionally allotted but not accepted by the Qualifying Shareholders and not placed by the Placing Agent under the Placing Agreement and the entitlements of the Non-Qualifying Shareholders to the Rights Shares which are unsold).

Assuming no acceptance by the Qualifying Shareholders under the Rights Issue (other than the acceptance of the Underwriter and Dr. Chan pursuant to the Irrevocable Undertakings) and no placement made under the Compensatory Arrangements save for the Underwritten Placing Shares, the Underwriter will be required to take up all the Underwritten Shares and would, upon completion of the Rights Issue hold up to approximately 53.52% of the then total issued Shares as enlarged by the allotment and issue of the Rights Shares.

In the event that the Underwriter taking up all the Underwritten Shares pursuant to its obligations under the Underwriting Agreement upon completion of the Rights Issue would result in the public float of the Shares not being maintained, the Underwriter has undertaken that it shall take steps necessary to ensure the Company's compliance of the minimum public float requirements as set out under Rule 11.23(7) of the GEM Listing Rules upon completion of the Rights Issue.

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The terms of the Underwriting Agreement (including the commission) were determined after arm's length negotiations between the Company and the Underwriter by reference to the financial position of the Group, the size of the Rights Issue, the current and expected market conditions and the prevailing market rate of commission. The Directors are of the view that the terms of the Underwriting Agreement are fair and reasonable and the transactions contemplated under the Underwriting Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Termination of the Underwriting Agreement

The Underwriter shall be entitled, by notice in writing to the Company served prior to the Latest Time for Termination, to terminate the Underwriting Agreement if, prior to the Latest Time for Termination (provided that for the purposes of the Underwriting Agreement if the date of the Latest Time for Termination shall be a Business Day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day, the date of the Latest Time for Termination shall be the next Business Day on which no tropical cyclone warning signal no. 8 or above or no black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day):

- (1) in the sole and absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the sole and absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the sole and absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or

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- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (3) there is any change in the circumstances of the Company or any member of the Group which in the sole and absolute opinion of the Underwriter will adversely affect the prospects of the Group, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of the Company or the destruction of any material asset of any member of the Group; or
- (4) there is any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (5) there is any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of any of the Underwriter, a material omission in the context of the Rights Issue; or
- (7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue,

If prior to the Latest Time for Termination any such notice as is referred to above is given by the Underwriter, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine.

LETTER FROM THE BOARD

If the Underwriter exercises such right of termination, the Underwriting Agreement will not become unconditional and the Rights Issue will not proceed. Further announcement will be made if the Underwriting Agreement is terminated by the Underwriter. Upon termination of the Underwriting Agreement, the obligations of the Underwriter and the Company under the Underwriting Agreement shall terminate and cease and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement save in respect of any antecedent breach of any obligation under it. A further announcement will be made by the Company if the Underwriting Agreement is terminated by the Underwriter.

FUND RAISING EXERCISE OF THE COMPANY IN THE PAST 12 MONTHS

Save for the Rights Issue, the Company has not conducted other fund-raising activity involving issue of equity securities during the period commencing 12 months immediately preceding the date of the Announcement and up to the Latest Practicable Date.

RISK FACTORS

In compliance with the GEM Listing Rules, the Company sets out below the risk factors of the Group for the Shareholders' attention. The Directors believe that there are certain risks involved in the operations of the Group, which includes but are not limited to, the following:

- (i) the mining operations of the Group, like all other mining operations, are subject to various operating risks and hazards. If the Company fails to obtain the expected economic benefits from the mine due to the occurrence of any event that causes it to operate at a lower capacity than anticipated or other significant negative development, the business, prospects, financial condition and results of operations of the Group could be materially and adversely affected;
- (ii) any disruptions or delays in processing may cause us to incur additional expenses in order to produce sufficient final products to meet deadlines, and could consequently impair the ability of the Group to fulfil the customers' demands, leading to cancellation of orders, all of which will have an adverse impact on the Group's reputation and results of operation;
- (iii) if the Group is denied access to its mine due to, among others: (i) violation of the relevant laws; (ii) change in relevant laws and regulations; (iii) a dispute in relation to the use of the collective land; (iv) not being able to renew land use right upon expiry of the existing land use rights; or (v) change in position of the government authorities that initially granted the Group land use right or allowed continued use of the temporary structures, the mining operations of the Group will be severely disrupted, which may in turn materially and adversely affect the Group's business, financial condition and results of operations;

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- (iv) the money lending business of the Group is exposed to default from the Group's customers, which involves the risk of loss due to the inability or unwillingness of customers to meet their contractual obligations. If the customers of the money lending business of the Group fail to meet their contractual obligations, the Company may incur additional costs to collect the loan principal and corresponding interests;
- (v) the wealth management business of the Group is subject to the performance of the investments and the market sentiment which are beyond its control and the Group cannot assure that the historical level of income can be sustained. In addition, non-compliance with regulatory requirements could affect the Group's ability to carry on its business activities; and
- (vi) negative publicity or damage to its business reputation may have potential adverse impact on the Group's business.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Company is an investment holding company and the Group is principally engaged in bentonite mining, production and sales of drilling mud and pelletising clay and financial service business. As at the Latest Practicable Date, the cash and bank balance of the Company in Hong Kong is insufficient to meet the general working capital requirement of the Group, including staff costs, rental costs, professional fees and other overhead expenses in Hong Kong in the next 18 months. As such, the net proceeds of the Rights Issue are intended to be applied primarily for the general working capital of the Group for the next 18 months in Hong Kong. For the remaining proceeds, the Company intends to apply it for financing the existing financial service business of the Group.

A breakdown of the expected funding needs of the Company in Hong Kong for the next 12 months based on the latest estimates of the Board is as follows:

	<i>HK\$</i> <i>(million)</i>
Business operation and expansion	8.0
Directors' remuneration, consultancy fees, and other salaries and allowance	6.2
Audit and other professional fees	3.7
Administrative and other expenses	1.8
Miscellaneous fees including printing fees and listing fees	<u>1.4</u>
Estimated total	<u><u>21.1</u></u>

LETTER FROM THE BOARD

The above estimates are prepared based on the key assumption that there will be no material change to the number and amount of salary, remuneration and allowance of the directors, officers and staff of the Group in Hong Kong, no additional major engagement of professional parties and no increase to the office and information technology expenses, listing fees and rental payable by the Company, no material change to the administrative needs of the Group and no material change to the current business operation and expansion plans of the Group in Hong Kong. The net proceeds from the Rights Issue together with the internally generated financial resources from the operation of the Group are expected to be sufficient to satisfy the above expected funding needs of the Company in Hong Kong for the next 12 months.

Assuming that there is no change in the number of issued Shares on or before the Record Date and all Rights Shares to be issued under the Rights Issue have been taken up in full, the gross proceeds from the Rights Issue will be approximately HK\$27.8 million. The net proceeds from the Rights Issue (after deduction of estimated professional fees and other related expenses of approximately HK\$1.5 million) are estimated to be approximately HK\$26.3 million (assuming no other change in the number of Shares in issue save for the Share Consolidation on or before the Record Date), which are intended to be applied in following manner:

- (i) approximately HK\$18.8 million, representing approximately 71.5% of the net proceeds, shall be applied for general working capital of the Company in Hong Kong for the next 18 months, as to approximately (i) 46.3% for directors' remuneration, consultancy fees, and other salaries and allowance; (ii) 34.0% for audit and other professional fees; (iii) 12.8% for administrative and other expenses; and (iv) 6.9% for miscellaneous fees including printing fees and listing fees;
- (ii) approximately HK\$5.6 million, representing approximately 21.3% of the net proceeds, shall be applied for the operation and expansion of the wealth management service business of the Group; and
- (iii) approximately HK\$1.9 million, representing approximately 7.2% of the net proceeds, shall be applied for the operation and expansion of the money lending business of the Group.

The Rights Issue will be conducted on a fully-underwritten basis. The terms of the Underwriting Agreement were determined after arm's length negotiation between the Company and the Underwriter by reference to the existing financial position of the Group, the size of the Rights Issue, and the market conditions. It is not in the ordinary course of business of the Underwriter to underwrite issues of shares. The Underwriter's role as an underwriter in respect of the Rights Issue, together with the Irrevocable Undertakings, signify strong support from the substantial Shareholder to the Group and its confidence in the development of the Group. Save for the Underwriting Agreement, the Company has not entered into any agreement, arrangement, understanding or undertaking in regard of the Rights Issue with the Underwriter or any of its connected persons and their respective associates.

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Prior to entering into the Underwriting Agreement, the Company had approached two independent third party underwriters to explore the possibilities of engaging them as underwriters for the Rights Issue. One of these underwriters had proposed an underwriting commission of 4% which was much higher than the expectation of the Board and the other underwriter had not given any response regarding the proposed engagement. In or about mid-May 2021, the Company has also approached Mr. Zhang Qiang, the controlling shareholder of the Company, who had expressed that he was not interested in becoming the underwriter for the Rights Issue, and the Underwriter, who is a substantial shareholder of the Company owned as to 50% by Dr. Chan and 50% by Mr. Pui, who had agreed to be the underwriter for the Rights Issue on the terms that it would not receive any underwriting commission. In view of the size of the Rights Issue of only approximately HK\$27.8 million, the commission fees proposed by the independent third party underwriter was considered higher than is acceptable and considering that the Underwriter would not receive any underwriting commission, the Board had resolved to enter into the Underwriting Agreement with the Underwriter.

The Board has considered other fund-raising alternatives before resolving to the Rights Issue, including but not limited to debt financing, placing and open offer. As debt financing would result in additional interest burden, higher gearing ratio of the Group and subject the Group to repayment obligations, the Board does not consider it to be beneficial to the Group. In addition, debt financing may not be achievable on favourable terms in a timely manner. As for placing of new Shares, taking into account that (i) it is relatively smaller in scale as compared to fund raising through rights issue; (ii) the engagement of a placing agent which would incur additional costs and expenses on the part of the Company; (iii) it would lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company, which is not the intention of the Company, it was not considered by the Board to be the most suitable fund-raising method for the Company. As for open offer, while it is similar to a rights issue, offering qualifying shareholders to participate, it does not allow free trading of rights entitlements in the open market unlike a rights issue, which would allow Shareholders to have more flexibility in dealing with the Shares and the nil paid rights attaching thereto.

The Board considers that the Rights Issue, when compared with other forms of equity fund raising, would offer the Qualifying Shareholders the opportunity to subscribe for Rights Shares in proportion to their existing shareholdings in the Company without having their relative shareholdings being diluted and the Board considers that the terms of the Rights Issue are fair and reasonable and in the best interest of the Shareholders as a whole as it allows Qualifying Shareholders to maintain their respective pro rata shareholding interests in the Company and to continue to participate in the future development of the Company and it will improve the capital base and gearing ratio of the Company. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted.

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Having considered the above, the Directors consider that the Underwriter, a substantial Shareholder who is willing to support the continuing growth of the Group, being as the underwriter for the Rights Issue is in the interests of the Company and the Shareholders as a whole, and that the terms of the Underwriting Agreement are fair and reasonable and the transactions contemplated under the Underwriting Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

BUSINESS PLANS OF THE GROUP

After completion of the Rights Issue, the Company intends to continue with all of its existing businesses and it does not intend to downsize, dispose of or cease any existing business operations and the existing businesses of bentonite mining, production and sales of drilling mud and pelletising clay would remain as the core businesses of the Group.

Although the COVID-19 pandemic has had a big impact on the businesses of the Group in the past year, the core businesses of the Group of bentonite mining, production and sales of drilling mud and pelletising clay remain stable. For details of the business overview and prospect of the Group, please refer to the section headed “Business trend and financial and trading prospect” in Appendix I to this Prospectus. With the aim to strengthen the market position of the Group in the PRC, the Group intends to continue to adopt the business strategies of broadening customer base and developing product recognition, new production technology and new products, recruiting more talents, acquiring other non-metal mines and improving the existing plant and equipment as its main focus.

The bentonite business of the Group is currently performing in a stable manner and has contributed as the main source of income for the Group over the past years. The Group has laid a solid foundation for its market position in bentonite mining, and will continue to explore the opportunity to expand its investment portfolio in mining. While the Group does not have any concrete new business plan and had not executed any formal agreement in respect of the acquisition of non-metal mines, the Group strives to maintain sales volume of pelletising clay by means of, among others, improved product quality and adhere to its “sell more with lower margin” strategy. The key business objectives of the Group in this area will continue to be to expand 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.

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Currently, the Group holds the mining rights to Huanghu Bentonite Mine, which is located at Fanchang County, Wuhu City, Anhui Province in the PRC. The Group holds 100% of the equity interest in the Huanghu Bentonite Mine, which has commenced commercial production of pelletising clay in 2004 and drilling mud in 2010. The permitted mining right area of the Huanghu Bentonite Mine is 2.1311 km² and the permitted annual production capacity is 230,000 m³ (equivalent to approximately 400,000 tonnes). Mining exploration permits or licences in the PRC are normally registered and issued to licensees in the form of 3-year leases from the relevant government authorities. The validity of the current mining licence is from 9 March 2019 to 9 March 2022. The Group will proceed to apply for renewal of the mining licence when the renewal application opens 30 days before the expiry date of the current mining licence in order to maintain the operation of its mining business. The renewal process for the mining licence involves the submission of a request for renewal of mining rights to the town government, which would then issue a review opinion. Thereafter, the Group would submit the request for renewal of mining rights to the district government, which would also issue its review opinion. The application would then be reviewed by the District Mining Management Committee and the Natural Resources and Planning Bureau. As at the Latest Practicable Date, the Company is not aware of any event which would impose any negative impact on, nor there is any legal impediment hindering, the renewal application to be made by the Group in respect of the mining licence in 2022.

Mr. Su Chun Xiang (“**Mr. Su**”), an executive Director, is the key member on the Board to oversee the mining business of the Group. Since joining the Group in 2018, he has been primarily responsible for formulating corporate strategies and supervising the business, including mining business segment of the Group. In addition to the experience in the financial and asset management industry as disclosed in the section headed “Directors of the Company” in Appendix III to this Prospectus, Mr. Su also possesses a wealth of experiences in the handling and overseeing mining businesses in the PRC. Since 2017, he has been a consultant of a company principally engaged lead-zinc exploration, development and mining in the PRC. He has assisted with and was responsible for the setting up the mining company and mining operation, overseeing the overall mining operation, particularly on monitoring the production level and quality of the mines and streamlining the production procedures to enhance production efficiency. Mr. Su was also involved in several merger and acquisition transactions of mines in the PRC in his role as the operation director of an asset management company in Beijing.

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Since joining the Group, Mr. Su has been working closely with the senior management of the Group (whose particulars were set out in the prospectus of the Company dated 18 December 2015) who are responsible for handling and overseeing the daily mining businesses and operations of the Group in the PRC and still remain in the employment of the Group, namely, Mr. Xu Chengyin, Mr. Zhang Pingwu, Mr. Qian Shengli and Mr. Chen Jiayang. Mr. Xu Chengyin and Mr. Zhang Pingwu were former executive Directors and have remained in the Group after their respective resignation as executive Directors. Mr. Xu Chengyin is currently the director, chairman and general manager of Wuhu Feishang Non-metal Material Co., Limited* (蕪湖飛尚非金屬材料有限公司), a wholly-owned major operating subsidiary of the Company (the “**Wuhu Subsidiary**”) and Mr. Zhang Pingwu is the director and vice general manager of the Wuhu Subsidiary. Given their former position as executive Directors, Mr. Xu Chengyin and Mr. Zhang Pingwu have been and still remain as key members of the management team of the Group since the initial listing of the issued shares of the Company on the Stock Exchange. They not only have a breadth of experience in the industry but are also well familiarised with the requirements of the GEM Listing Rules and all the internal control procedures and other corporate governance (which were all set up by them) involving the Wuhu Subsidiary.

In particular, the Company has implemented various policies, guidelines and internal procedures to govern the business operation of its subsidiaries, including the Wuhu Subsidiary, to ensure that the corporate actions of the subsidiaries of the Company would be in compliance with the GEM Listing Rules. All business plans and forecasts, capital expenditure in excess of a certain amount, the entering into of any contracts not in the ordinary course of business of the Group, for example, all require prior approval of the Company. Regular reports on the business operation and financial performance of the subsidiaries of the Company, including the Wuhu Subsidiary, are required to be provided to the Board for review and consolidation, and for decision making. Further, as disclosed above, the executive Directors and the management teams of the subsidiaries are in close contacts and communicate regularly. Before the travel restrictions were imposed by the PRC government as a result of the COVID-19 pandemic, periodic visits and inspections were also conducted by Mr. Su on the subsidiaries of the Company in the PRC. The Board may also from time to time make enquiries with the management teams of the subsidiaries or request for further documents and information for making assessment and any strategic decision of the subsidiaries.

The current executive Directors have all actively involved themselves in the core businesses of the Group of bentonite mining, production and sales of drilling mud and pelletising clay, where the Board has placed a strong focus and monitors the operation and performance of the business as closely as possible, to ensure and facilitate the smooth running of the subsidiaries. In particular, Mr. Su is stationed in the PRC and attends to the affairs of the Wuhu Subsidiary locally on a regular basis. To strengthen the Company’s internal control and to further formalise his role and position in the Wuhu Subsidiary to reflect his responsibilities and involvement in the Wuhu Subsidiary, the Company has appointed Mr. Su as managing director of the Wuhu Subsidiary to participate directly in its daily operation and to oversee its due compliance with the policies, guidelines and internal control procedures set up by the Company.

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The Group will continue to collaborate 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. The Group currently inputs approximately CNY2.7 million per year in the research and design of product development and production technologies. In December 2020, the Group successfully obtained a certificate of high and new technological product for sea cement slurry salt-resistant bentonite.

The Group has also attended and participated and intends to continue to attend and participate in industry forums and events-to network with other industry professionals and potential customers. In June 2020, the National Standard of Bentonite – “GB/T 20973-2020” was published and replaced the previous standard “GB/T 20973-2007”. The Wuhu Subsidiary was one of the drafting parties of this new National Standard of Bentonite. In March 2021, the Company has attended the matchmaking meeting for supply and demand of ceramics (slate/slab) raw materials organised in Guangdong, the PRC. The Group will continue to act as the market leader to provide contribution to the National Standard of Bentonite and the development of bentonite mining as well as product development, and to allocate resources to establish a team to participate more industrial exhibitions to promote the Group’s products and reach potential customers if and when necessary.

The Group will also continue to expand its sales and marketing team to further enhance sales and marketing activities. The Group currently has 6 employees in the sales department and incurs about CNY445,000 of salaries expenses for sales department and about CNY720,000 marketing fee annually. The Group will adjust the size of its marketing teams and evaluate the efficiency of different marketing channels based on the market condition to ensure optimal use of its resources. The bentonite market in the PRC is a competitive market due to the Indian bentonite producer entering the PRC market in 2021 and the Northern PRC bentonite producer participating in the south PRC market. Maintaining relationship with key customers has become the critical mission for the Company.

The Group will also continue to seek opportunities to recruit 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 and to acquire other non-metal mines if any potential suitable targets are identified. Currently, the Group has about 73 (2020: about 81) operating employees in its bentonite business. The Group has adopted a strategy to optimise the administration and the production process. After the improvement of the production system, the bentonite production system will rely more on automatic process and reduce the labour intensity. However, the Group is expected to require more experienced personnel to optimise the production system. The costs saved in low-end labour is expected to be offset by the increased cost of experienced personnel.

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Regarding the acquisition of potential suitable non-metal mines, the Group has been continuously searching for the opportunity to expand its investment portfolio in non-metal mines. As at the Latest Practicable Date, the Company has not yet identified any such acquisition targets given that the global economy continues to be impacted by the COVID-19 pandemic. The acquisition of a raw non-metal mine is usually relatively high risk and requires high/complicated mining process. The Group currently targets to acquire mature business operator as the Group has relatively competitive advantage on financing as a result of its listing status. When assessing potential acquisition targets, the Company would conduct due diligence and valuation (for targets with high potential) consider their enterprise value, financial background, turnover ratio, gross profit margin, return on asset, debt-to-equity ratio, estimated inventory value of the mine, type of mine, location of operation, prospects, mining output levels, mining capacity and utilisation rate, mining and other licence record, regulatory and compliance record...etc. There may be non-metal mining companies lacking sufficient funding and have going concern problem as a result of the COVID-19 pandemic. The Company considers that it may be a suitable time for the Group to acquire the valuable business at a relatively lower cost due to the lack of bargaining power of these companies. The management of the Group will continue to search for the potential acquisition targets. Taking into account the prevalent demand in the market and the production needs of the Group, the Company may also consider 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.

As at the Latest Practicable Date, the cash reserves of the Group in the PRC and the net profit generated from the business operations in the PRC are sufficient to cover the funding needs of the core businesses of bentonite mining, production and sales of drilling mud and pelletising clay of the Group in the PRC. If required, the financial resources currently allocated for the financial guarantee contracts entered into by the Wuhu Subsidiary may be applied for the mining business of the Group. As such, the net proceeds of the Rights Issue would be applied according to the breakdown set out in the paragraph headed “Reasons for the Rights Issue and use of proceeds” in the section headed “Rights Issue” in this letter and there is no need to allocate any portion to the mining business of the Group.

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EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there is no other change in the number of Shares in issue from the Latest Practicable Date up to and including the date of completion of the Rights Issue, the table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Rights Issue:

	As at the Latest Practicable Date		Assuming all Qualifying Shareholders take up their respective entitlements under the Rights Issue		Immediately after completion of the Rights Issue			
					Assuming no Qualifying Shareholders (save for the Underwriter and Dr. Chan) take up their respective entitlements under the Rights Issue and the remaining Unsubscribed Rights Shares and the NQS Unsold Rights Shares are fully placed to the Places under the Compensatory Arrangements		Assuming no Qualifying Shareholders (save for the Underwriter and Dr. Chan) take up their respective entitlements under the Rights Issue and the Unsubscribed Rights Shares and the NQS Unsold Rights Shares (save for the Underwritten Placing Shares) are taken up by the Underwriter	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
The Underwriter (Note 1, Note 2)	12,500,000	15.71	25,000,000	15.71	25,000,000	15.71	85,153,400	53.52
Dr. Chan (Note 1)	3,341,000	4.20	6,682,000	4.20	6,682,000	4.20	6,682,000	4.20
Subtotal of the Underwriter and parties acting in concert with it	15,841,000	19.91	31,682,000	19.91	31,682,000	19.91	91,835,400	57.72
Zhang Qiang	27,500,000	34.57	55,000,000	34.57	27,500,000	17.28	27,500,000	17.28
P.B. Capital Advanced Fund SPC – P.B. Capital Advanced Fund 1 Segregated Portfolio (Note 3)	11,176,200	14.05	22,352,400	14.05	–	–	–	–
Public Shareholders								
P.B. Capital Advanced Fund SPC – P.B. Capital Advanced Fund 1 Segregated Portfolio (Note 3)	–	–	–	–	11,176,200	7.02	11,176,200	7.02
Other public Shareholders (Note 4)	25,040,000	31.47	50,080,000	31.47	88,756,200	55.78	28,602,800	17.98
Total	79,557,200	100.00	159,114,400	100.00	159,114,400	100.00	159,114,400	100.00

Notes:

- As at the Latest Practicable Date, the Underwriter is owned as to 50% by Dr. Chan and 50% by Mr. Pui, both of whom are executive Directors. Dr. Chan is also beneficially interested in 3,341,000 Shares.
- The Company will take all appropriate steps to ensure that sufficient public float be maintained upon completion of the Rights Issue in compliance with Rule 11.23(7) of the GEM Listing Rules. In the event that the underwritten Rights Shares that the Underwriter has taken up pursuant to its obligations under the Underwriting Agreement upon completion of the Rights Issue would result in public float of the Company not being maintained, the Company and/or the Underwriter will take necessary action to place down the Shares held by the Underwriter such that sufficient public float could be maintained in compliance with Rule 11.23(7) of the GEM Listing Rules.

LETTER FROM THE BOARD

3. P.B. Capital Advanced Fund SPC – P.B. Capital Advanced Fund 1 Segregated Portfolio is a segregated portfolio company incorporated in the Cayman Islands. Save for being the beneficial owner of 11,176,200 Shares, representing approximately 14.05% of the total issued share capital of the Company as at the Latest Practicable Date, it (i) is independent of and not acting in concert or connected with the Company and its connected persons or any of their respective associates; (ii) does not have any relationship with the Underwriter or parties acting in concert with it or any of their respective associates; and (iii) is managed by a third party independent of and not acting in concert or connected with the Company or the Underwriter, or any of their respective connected persons or associates.
4. Other public Shareholders include the Placees under the Compensatory Arrangements for the purpose of illustrating the shareholding structure immediately after completion of the Rights Issue assuming no Qualifying Shareholders (save for the Underwriter and Dr. Chan) take up their respective entitlements under the Rights Issue and the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are placed to the Placees under the Compensatory Arrangements.
5. Certain percentage figures included in the above tables have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

GEM LISTING RULES IMPLICATIONS

In accordance with Rule 10.29 of the GEM Listing Rules, as the Rights Issue will increase the issued shares of the Company by more than 50%, the Rights Issue is conditional on approval by the Independent Shareholders at the EGM by a resolution on which any controlling shareholders and their associates shall abstain from voting in favour under Rule 10.29(1) of the GEM Listing Rules. Mr. Zhang Qiang is a controlling shareholder which owns 27,500,000 Shares, representing approximately 34.57% of the issued share capital of the Company as at the Latest Practicable Date, as such, he and his associates had abstained from voting in favour of the resolutions to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder respectively at the EGM.

The Underwriter, which is owned as to 50% by Dr. Chan and 50% by Mr. Pui, is beneficially interested in 12,500,000 Shares, representing approximately 15.71% of the total issued share capital of the Company as at the Latest Practicable Date and is a substantial shareholder of the Company. As such, the Underwriter is a connected person of the Company under Chapter 20 of the GEM Listing Rules and the transactions contemplated under the Underwriting Agreement constitute connected transactions for the Company under the GEM Listing Rules and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. The Underwriter complies with Rule 10.24A(2) of the GEM Listing Rules. The Underwriter, its associates and parties acting in concert with it had abstained from voting in favour of the resolutions to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder respectively and/or the Whitewash Waiver at the EGM. On 26 October 2021, the resolutions to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder respectively were passed by the Independent Shareholders at the EGM.

LETTER FROM THE BOARD

THE WHITEWASH WAIVER

As at the Latest Practicable Date, the Underwriter and parties acting in concert with it (comprising the Underwriter, Dr. Chan and Mr. Pui), taken together, in aggregate, hold 15,841,000 Shares, representing approximately 19.91% of the issued share capital of the Company. Pursuant to the Irrevocable Undertakings, each of the Underwriter and Dr. Chan has provided irrevocable and unconditional undertakings to the Company that (a) all the above 15,841,000 Shares held by them in aggregate will continue to be beneficially owned by them on the Record Date; and (b) each of them will accept and pay for all the 15,841,000 Rights Shares to be provisionally allotted to them in aggregate under the Rights Issue pursuant to the terms and conditions of the Prospectus Documents.

If there had been no acceptance by the Qualifying Shareholders under the Rights Issue (other than the acceptance of the Underwriter and Dr. Chan pursuant to the Irrevocable Undertakings) and no placement can be made under the Compensatory Arrangements save for the Underwritten Placing Shares, upon completion of the Rights Issue, assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Rights Shares, the Underwriter will be required to take up 60,153,400 Rights Shares. In such circumstances, the Underwriter and parties acting in concert with it (comprising the Underwriter, Dr. Chan and Mr. Pui), taken together, will in aggregate, hold 91,835,400 Shares, representing approximately 57.72% of the issued share capital of the Company as enlarged by the Rights Shares. Accordingly, the Underwriter and parties acting in concert with it would be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by the Underwriter and parties acting in concert with it, unless the Whitewash Waiver is granted by the Executive.

An application has been made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. On 25 October 2021, the Executive granted the Whitewash Waiver, which was subject to, among other things, (i) the approval by at least 75% of the Independent Shareholders at the EGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the Independent Shareholders at the EGM by way of poll in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder respectively. At the EGM held on 26 October 2021, the relevant resolutions were duly passed by the Independent Shareholders by way of poll.

If there had been no acceptance by the Qualifying Shareholders under the Rights Issue (other than the acceptance of the Underwriter and Dr. Chan pursuant to the Irrevocable Undertakings) and no placement can be made under the Compensatory Arrangements save for the Underwritten Placing Shares, upon completion of the Rights Issue, the Underwriter and parties acting in concert with it (comprising the Underwriter, Dr. Chan and Mr. Pui) will, in aggregate, hold more than 50% of the Company's voting rights, the Underwriter may thereafter increase its holding without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

LETTER FROM THE BOARD

WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the section headed “Termination of the Underwriting Agreement” in this Prospectus). Accordingly, the Rights Issue may or may not proceed.

Dealings in the Rights Shares in the nil-paid form will take place from Thursday, 11 November 2021 to Friday, 19 November 2021 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or the Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter’s right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Prospectus.

Yours faithfully
On behalf of the Board
P.B. Group Limited
Dr. Chan Man Fung
Executive Director and Co-chairman

1. FINANCIAL INFORMATION SUMMARY OF THE GROUP

The financial information of the Group for the three years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021 are disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.thepbg.com):

- (a) the audited financial information of the Group for the year ended 31 December 2020 is disclosed in the annual report of the Company for the year ended 31 December 2020 published on 31 March 2021, from pages 91 to 159 (<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0331/2021033103014.pdf>);
- (b) the audited financial information of the Group for the year ended 31 December 2019 is disclosed in the annual report of the Company for the year ended 31 December 2019 published on 29 April 2020, from pages 71 to 139 (<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0429/2020042900001.pdf>);
- (c) the audited financial information of the Group for the year ended 31 December 2018 is disclosed in the annual report of the Company for the year ended 31 December 2018 published on 29 March 2019, from pages 71 to 143 (<https://www1.hkexnews.hk/listedco/listconews/gem/2019/0329/gln20190329001.pdf>); and
- (d) the unaudited financial information of the Group for the six months ended 30 June 2021 is disclosed in the interim report of the Company for the six months ended 30 June 2021 published on 13 August 2021, from pages 28 to 46 (<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0813/2021081302101.pdf>).

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

The following summary of financial information for each of the three years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021 is extracted from the consolidated financial statements of the Company as set forth in the annual reports of the Company for the years ended 31 December 2018, 2019 and 2020 and the interim report of the Company for the six months ended 30 June 2020 and 2021 respectively:

Summary consolidated statement of profit or loss and other comprehensive income

	For the year ended 31 December			For the six months ended	
				30 June	
	2018	2019	2020	2020	2021
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
	CNY'000	CNY'000	CNY'000	CNY'000	CNY'000
REVENUE	51,204	58,099	55,727	21,414	32,987
Cost of sales	<u>(29,257)</u>	<u>(28,153)</u>	<u>(26,362)</u>	<u>(10,704)</u>	<u>(17,573)</u>
Gross profit	21,947	29,946	29,365	10,710	15,414
Other income, gains and losses	1,474	2,337	4,092	536	676
Selling and distribution expenses	(6,740)	(7,308)	(7,041)	(4,529)	(5,122)
Administrative and other expenses	(72,723)	(15,907)	(16,737)	(7,515)	(10,760)
Finance costs	(1,283)	(451)	(502)	(223)	(288)
Gain on disposal of subsidiaries	<u>874</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
PROFIT/(LOSS) BEFORE TAX	(56,451)	8,617	9,177	(1,021)	(80)
Income tax expense	<u>(1,134)</u>	<u>(1,209)</u>	<u>(1,974)</u>	<u>(53)</u>	<u>(511)</u>
PROFIT/(LOSS) FOR THE YEAR/ PERIOD	<u>(57,585)</u>	<u>7,408</u>	<u>7,203</u>	<u>(1,074)</u>	<u>(591)</u>
Total comprehensive income/ (expense) for the year attributable to:					
– owners of the Company	(57,585)	7,408	7,203	(1,074)	(608)
– non-controlling interests	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Earnings/(loss) per share					
Basic and diluted (CNY)	<u>(10.05) cents</u>	<u>1.10 cents</u>	<u>1.04 cents</u>	<u>(0.16) cents</u>	<u>(0.07) cents</u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

For each of the three years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, no final or interim dividend was declared or paid.

Save as disclosed above, the Group had no other material income or expense for the years ended 31 December 2018, 2019 and 2020 and for the six months ended 30 June 2020 and 2021.

Summary consolidated statement of financial position

	For the year ended 31 December			For the six months ended	
				30 June	
	2018	2019	2020	2020	2021
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
	CNY'000	CNY'000	CNY'000	CNY'000	CNY'000
Current assets	68,225	76,799	94,198	70,617	89,861
Non-current assets	28,159	33,181	35,125	36,945	35,990
Current liabilities	(15,420)	(21,285)	(26,120)	(20,073)	(24,087)
Non-current liabilities	<u>(8,205)</u>	<u>(8,528)</u>	<u>(9,885)</u>	<u>(8,698)</u>	<u>(9,054)</u>
	<u>72,759</u>	<u>80,167</u>	<u>93,318</u>	<u>78,791</u>	<u>92,710</u>
Equity attributable to owners of the Company					
Share capital	5,688	5,688	6,753	5,688	6,753
Share premium and reserves	<u>67,071</u>	<u>74,479</u>	<u>86,565</u>	<u>73,103</u>	<u>85,957</u>
	<u>72,759</u>	<u>80,167</u>	<u>93,318</u>	<u>78,791</u>	<u>92,710</u>

Summary consolidated statement of cash flows

	For the year ended 31 December			For the six months ended	
				30 June	
	2018	2019	2020	2020	2021
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
	CNY'000	CNY'000	CNY'000	CNY'000	CNY'000
Net cash (used in)/generated from operating activities	(1,149)	13,823	(8,827)	(8,632)	1,885
Net cash used in investing activities	(4,410)	(4,373)	(177)	(282)	(282)
Net cash generated from/(used in) financing activities	18,585	(323)	891	–	416
Net increase/(decrease) in cash and cash equivalents	13,026	9,127	(8,113)	(8,914)	2,019

No modified opinion, emphasis of matter or material uncertainty related to going concern was contained in the auditor's reports of the Company issued by BDO Limited, the current auditors of the Company for the year ended 31 December 2020, but the opinion of Elite Partners CPA Limited, the then auditors of the Company in respect of each of the two financial years ended 31 December 2018 and 2019 contained qualified opinions, the details of which are extracted from the annual reports of the Company for the years ended 31 December 2018 and 2019 and set out as follows:

For the year ended 31 December 2018

“BASIS FOR QUALIFIED OPINION

Opening balances and corresponding figures

The auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2017 (“2017 Financial Statements”) contained qualification on the limitation of audit scope of (i) de-consolidation of certain subsidiaries; (ii) prepayment to suppliers; and (iii) inventories (“Qualifications”). Details of which has been set out in the auditor's report for 2017 Financial Statements dated 31 May 2018. As the 2017 Financial Statements formed the basis for the corresponding figures presented in the current year's consolidated financial statements, any adjustments found to be necessary in respect of the Qualification would have an effect on (i) the opening balances on the consolidated financial position of the Group as at 31 December 2018; (ii) corresponding figures in the consolidated financial statements for the year ended 31 December 2018; and (iii) the related disclosures thereof in the consolidated financial statements of the Group for the year ended 31 December 2018.”

For the year ended 31 December 2019

“BASIS FOR QUALIFIED OPINION

Corresponding figures

The auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2018 (“2018 Financial Statements”) contained qualification on the opening balances and corresponding figures (“Qualifications”). Details of which has been set out in the auditor's report for 2018 Financial Statements dated 7 March 2019. As the 2018 Financial Statements formed the basis for the corresponding figures presented in the current year's consolidated financial statements, any adjustments found to be necessary in respect of the Qualifications would have an effect on (i) the opening balance of the corresponding figures in the consolidated financial statements for the year ended 31 December 2019; and (ii) the related disclosures thereof in the consolidated financial statements of the Group for the year ended 31 December 2019.”

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 September 2021, being the latest practicable date for the purpose of ascertaining information contained in this statement of indebtedness prior to the printing of this Prospectus, the details of the Group's indebtedness are as follows:

Borrowings and debts

As at the close of business on 30 September 2021, being the latest practicable date for the purpose of this statement of indebtedness, the Group has outstanding borrowings and debts of approximately CNY414,050 details of which are set out as follows:

30 September**2021**

unaudited

CNY

Unsecured and unguaranteed shareholder's loan <i>(Note)</i>	<u>414,050</u>
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Note: The Shareholder's loan is amounted at HK\$500,000 as at 30 September 2021. The exchange rate accepted on that date is HK\$1: CNY0.8281.

Contingent liabilities

As at the close of business on 30 September 2021, the Group's financial guarantee contracts were as follows:

CNY

Financial guarantees provided to third party	<u>947,360</u>
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The maximum amount that the Group has guaranteed under the respective contracts was CNY20,000,000 as at 30 September 2021. As at 30 September 2021, the directors of the Company have performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for financial guarantee contracts issued by the Group is measured at an amount equal to 12 months of expected credit loss. An amount of CNY947,360 has been estimated as a loss allowance as at 30 September 2021 in accordance with IFRS 9, however, no loss allowance was recognised in the profit or loss because the premium received less cumulative amount recognised in profit or loss was higher than expected amount of loss allowance.

On 28 July 2021, the Group entered into a back-to-back guarantee agreement, pursuant to which the Wuhu Subsidiary has agreed to provide financial guarantee to the Wuhu Haiyuan Copper Industrial Co., Limited* (蕪湖海源銅業有限責任公司), a company established in the PRC and an independent third party (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 bank. In return, the Wuhu Subsidiary would receive a guarantee fee of 6% of the amount of deposit pledged by the Wuhu Subsidiary. The fair value of the financial guarantee issued at initial recognition was immaterial.

Pledged bank deposit

Pledged bank deposit represented deposit pledged to bank to secure general banking facilities granted to an independent third party. As at 30 September 2021, the bank deposit of 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 deposit carry interest rates at 1.95% per annum and will be released upon the expiry of the relevant banking facilities.

Save as disclosed above, the Group did not have any outstanding bank overdrafts or loans, or other similar indebtedness, mortgages, charges, or guarantees, debt securities, term loans, hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits, other borrowings or indebtedness in the nature of borrowings or other material contingent liabilities as at the close of business on 30 September 2021.

3. SUFFICIENCY OF WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources available to the Group, including internally generated funds, available facilities and the estimated net proceeds from the Rights Issue, the Group will have sufficient working capital for its requirements for at least the next twelve months from the date of this Prospectus.

4. MATERIAL ADVERSE CHANGE

Save as disclosed in the interim report of the Company for the six months ended 30 June 2021 that the Group recorded a loss attributable to owners of the Company of approximately CNY0.6 million for the six months ended 30 June 2021 as compared to a loss attributable to owners of the Company of approximately CNY1.1 million for the six months ended 30 June 2020, the Directors confirmed that there has been no material adverse change in the financial or trading position or outlook of the Group since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to and including the Latest Practicable Date.

5. BUSINESS TREND AND FINANCIAL AND TRADING PROSPECT

The Company is an investment holding company and the Group is principally engaged in bentonite mining, production and sales of drilling mud and pelletising clay and financial service business. While the outbreak of the COVID-19 continued to escalate in some countries and regions and cause disruptions in business operations and to the economy in 2021, 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 is a major rebound following the historic contraction of the economy caused by the COVID-19. The PRC's economy shrank 6.8% in the first quarter of 2020 following lockdowns to curb the spread of COVID-19. Industrial production, consumption and investment in fixed assets, real estate and infrastructure construction all enjoyed steady recovery, lending support to bentonite demand from downstream industries including the iron and steel and energy sectors. As a result of the steady recovery of the economy and the downstream industries, the Group recorded an increase in revenue as compared to the corresponding period in 2020 despite a 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.

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 first quarter of 2021, 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 first quarter of 2021.

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 the business environment in financial services, including wealth management and money lending business would continue to be challenging in the remainder of 2021. However, with the expectation of increasing awareness in wealth management in recent years, 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.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

For illustrative purpose only, set out below is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group after completion of the Rights Issue. Although reasonable care has been exercised in preparing the unaudited pro forma financial information, Shareholders who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the Group's financial results and positions for the financial periods concerned.

(A) STATEMENT OF UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company (the “**Unaudited Pro Forma Financial Information**”) has been prepared by the Directors in accordance with Rule 7.31 of the GEM Listing Rules to illustrate the effect of the Rights Issue on the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as if the Rights Issue had taken place on 30 June 2021.

The Unaudited Pro Forma Financial Information is prepared for illustrative purpose only and based on the judgements, estimates and assumptions of the Directors, and because of the hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company as at the date to which it is made up or at any future date.

The Unaudited Pro Forma Financial Information of the Group as at 30 June 2021 is prepared by the Directors based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2021, extracted from the published interim report of the Company for the six months ended 30 June 2021, with adjustments described below.

		Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2021 HK\$'000 (Note 1)	Estimated net proceeds from the Rights Issue HK\$'000 (Note 2)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company after completion of the Rights Issue HK\$'000	Unaudited consolidated net tangible assets per Share attributable to the owners of the Company as at 30 June 2021 HK\$'000 (Note 3)	Unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the owners of the Company after completion of the Rights Issue HK\$'000 (Note 4)
Based on 79,557,200 Rights Shares to be issued at a Subscription Price of HK\$0.35 per Rights Share		104,143	26,363	130,506	1.309	0.820

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Notes:

1. The unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2021 is extracted from the interim report of the Company for the six months ended 30 June 2021, which is equal to the unaudited consolidated net assets attributable to owners as at 30 June 2021 of CNY87,515,000 (equivalent to approximately HK\$104,142,850 at the exchange rate of CNY1.00 to HK\$1.19). The exchange rate is for illustrative purpose only and does not constitute a representation that any amount has been, could have been, may be exchanged at this or any other rate or at all.
2. The estimated net proceeds from the Rights Issue are based on 79,557,200 Rights Shares to be issued at the Subscription Price of HK\$0.35 each per Rights Share, after deduction of the related expenses including, among others, placing commission and other professional fees. The estimated net proceeds are approximately HK\$26,363,000.
3. The unaudited consolidated net tangible assets of the Group attributable to the owners of the Company per Share as at 30 June 2021 was HK\$1.309, which was based on the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2021 of approximately HK\$104,142,850, divided by 79,557,200 Shares immediately after the Share Consolidation having become effective.
4. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share as at 30 June 2021 immediately after completion of the Rights Issue is determined based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company immediately after completion of Rights Issue of approximately HK\$130,506,000, divided by 159,114,400 Shares, being the total of 79,557,200 Shares in issue as at the Latest Practicable Date and 79,557,200 Rights Shares, assuming the Share Consolidation has become effective and the Rights Issue has been completed on 30 June 2021.
5. No adjustment has been made to reflect any trading results or other transactions of the Group subsequent to 30 June 2021.

The following is the text of a report, prepared for the purpose of incorporation in this Prospectus and received from the independent reporting accountants, BDO Limited, Certified Public Accountants, in respect of the Unaudited Pro Forma Financial Information.

(B) ACCOUNTANT’S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

INDEPENDENT REPORTING ACCOUNTANTS’ ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the directors of P.B. Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of P.B. Group Limited (the “**Company**”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of consolidated net tangible assets of the Company as at 30 June 2021, and related notes as set out on Section A of Appendix II of the Company’s prospectus dated 9 November 2021 (the “**Prospectus**”) in connection with the proposed rights issue on the basis of one right share for every one existing share of the Company (the “**Rights Issue**”). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on Section A of Appendix II of the Prospectus.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of Right Issue on the Company’s condensed consolidated financial position as at 30 June 2021 as if Right Issue had taken place at 30 June 2021. As part of this process, information about the Company’s condensed consolidated financial position and, condensed consolidated financial performance and, condensed consolidated cash flows has been extracted by the directors of the Company from the Company’s financial information for the six months ended 30 June 2021, of which no audit or review has been published.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 7.31(7) of the GEM Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of Right Issue at 30 June 2021 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Group on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(7) of the GEM Rules.

BDO Limited

Certified Public Accountants

Hong Kong

9 November 2021

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately following the allotment and issue of the Rights Shares (assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the completion of the Rights Issue) will be as follows:

(i) As at the Latest Practicable Date

Authorised share capital: HK\$

<u>1,000,000,000</u> Shares	<u>100,000,000.00</u>
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Issued and paid-up share capital:

<u>79,557,200</u> Shares	<u>7,955,720.00</u>
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(ii) Immediately after the completion of the Rights Issue (assuming no other change in the number of Shares in issue up to completion of the Rights Issue save for the issue of the Rights Shares)

Authorised share capital: HK\$

<u>1,000,000,000</u> Shares	<u>100,000,000.00</u>
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Issued and paid-up share capital:

79,557,200 Shares	7,955,720.00
Rights Shares to be issued pursuant to the	
<u>79,557,200</u> Rights Issue	<u>7,955,720.00</u>

Shares immediately following the completion of	
<u>159,114,400</u> the Rights Issue	<u>15,911,440.00</u>

All the Shares in issue rank *pari passu* in all respects with each other including rights to dividends, voting and return of capital. The Rights Shares, when allotted, issued and fully paid, will rank *pari passu* with each other and the then existing Shares in issue in all respects including rights to dividends, voting and return of capital.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, there were no arrangements under which future dividends are waived or agreed to be waived.

The Company had not issued any Shares since 31 December 2020, being the end of the last financial year of the Company, and up to the Latest Practicable Date. As at the Latest Practicable Date, the Company had no outstanding warrants, options or convertible securities in issue which confer any right to subscribe for, convert or exchange into Shares.

As at the Latest Practicable Date, no capital of any member of the Group was under option or agreed conditionally or unconditionally to be put under option.

3. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company or any associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) were required, pursuant to the required standard of dealings by directors of listed issuers as referred to in Rules 5.48 to

5.67 of the GEM Listing Rules (the “**Required Standard of Dealings**”), to be notified to the Company and the Stock Exchange; or (iv) were required to be disclosed under the Takeovers Code were as follows:

Long position in the Shares

Name of Directors or chief executives	Capacity	Number of Shares	Approximate percentage of the issued shares
Dr. Chan	Interests of a controlled corporation (<i>Note 1</i>)	72,653,400	45.66
	Beneficial owner (<i>Note 2</i>)	6,682,000	4.20
Mr. Pui	Interests of a controlled corporation (<i>Note 1</i>)	72,653,400	45.66

Notes:

1. The Underwriter is owned as to 50% by Dr. Chan and 50% by Mr. Pui. By virtue of the SFO, Dr. Chan and Mr. Pui (who are also the directors of the Underwriter) are deemed to be interested in the Shares in which the Underwriter is interested. These 72,653,400 Shares consist of the 12,500,000 Shares beneficially owned by the Underwriter and the maximum number of 60,153,400 Underwritten Shares agreed to be underwritten by the Underwriter pursuant to the Underwriting Agreement.
2. These Shares consist of the 3,341,000 Shares beneficially owned by Dr. Chan and the 3,341,000 Shares agreed to be subscribed by Dr. Chan pursuant to the Irrevocable Undertakings.
3. The above figures in respect of the number of Shares have taken into account the effect of the Share Consolidation and the approximate percentages reflect the issued share capital as enlarged by the allotment and issue of Rights Shares on a fully diluted basis.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company were interested in or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have such provisions of the SFO); or (ii) were required, pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Required Standard of Dealings, to be notified to the Company and the Stock Exchange; or (iv) were required to be disclosed under the Takeovers Code.

(b) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the following person, other than a Director or chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long position in the Shares

Name of Shareholders	Capacity	Number of Shares	Approximate percentage of the issued shares
Mr. Zhang Qiang	Beneficial owner	27,500,000	34.57
Ms. Wang Jie (<i>Note 1</i>)	Interest of spouse	27,500,000	34.57
The Underwriter (<i>Note 2</i>)	Beneficial owner	72,653,400	45.66
P.B. Capital Advanced Fund SPC – P.B. Capital Advance Fund 1 Segregated Portfolio	Beneficial owner	11,176,200	14.05

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.
2. These 72,653,400 Shares consist of the 12,500,000 Shares beneficially owned by the Underwriter and the maximum number of 60,153,400 Underwritten Shares agreed to be underwritten by the Underwriter pursuant to the Underwriting Agreement.
3. The above figures in respect of the number of Shares have taken into account the effect of the Share Consolidation and the approximate percentages reflect the issued share capital as enlarged by the allotment and issue of Rights Shares on a fully diluted basis.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no person (other than a Director or chief executive of the Company) had, or was taken or deemed to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which is not expiring or determinable by the Company or any member of the Group within one year without payment of compensation other than statutory compensation.

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business apart from the business of the Group which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors had any interest, directly or indirectly, in any asset which, since 31 December 2020, being the date to which the latest published audited financial statements of the Company were made up, had been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

Apart from the Underwriting Agreement and the Irrevocable Undertakings, there were no contracts or arrangements subsisting as at the Latest Practicable Date in which any Director was materially interested and which was significant in relation to the business of the Group.

7. MATERIAL CONTRACTS

Save for the contracts set out below, no contract (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) had been entered into by members of the Group within the two years immediately preceding the date of this Prospectus which are or may be material:

- (a) a back-to-back guarantee renewal agreement dated 24 July 2020 and entered into between the Wuhu Subsidiary and the Borrower in relation to the renewal of a financial guarantee to the Borrower for procuring it to obtain the loan provided by the lending bank with principal amount of CNY19 million (equivalent to approximately HK\$21.85 million) by means of the Wuhu Subsidiary entering into a guarantee contract for the pledge of its deposit in the sum of CNY20 million (equivalent to approximately HK\$23 million) with the lending bank (the “**Guarantee**”);
- (b) a back-to-back guarantee renewal agreement dated 28 July 2021 and entered into between the Wuhu Subsidiary and the Borrower in relation to the renewal of the Guarantee;
- (c) a sale and purchase agreement dated 23 October 2020 entered into among the Underwriter as vendor, the Company as purchaser, and Dr. Chan and Mr. Pui as guarantors in relation to the acquisition of the entire issued share capital of P.B. Group Limited by the Company from the Underwriter at the consideration of HK\$9,000,000;
- (d) the Placing Agreement; and
- (e) the Underwriting Agreement.

8. LITIGATION

As disclosed in the interim report of the Company for the six months ended 30 June 2021, 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. As at the Latest Practicable Date, the parties have yet to agree on the usual order of directions for fixing timeline for the parties to make discovery of documents and exchange of statements of witnesses and the case is currently in progress;

- (ii) instituted legal proceedings against, Lituo and another company (“**the 2nd Defendant**”) which was the payee designated by Lituo under the underlying contract, to recover outstanding deposits amounted to HK\$35,000,000 under High Court Action No. 2450 of 2018. Lituo filed its defence on 28 November 2018 whereas the 2nd Defendant, which is incorporated in British Virgin Islands never responded to the case and on 15 May 2020, the court granted final judgment against the 2nd Defendant upon the Company’s application. 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 at the Latest Practicable Date, the joint and several liquidators have commenced their work and issued a notice of liquidation to the 2nd Defendant but have not yet received a reply. The case is in progress;
- (iii) issued demand letter to Trade Rosy Global Limited (“**Trade Rosy**”) requesting the refund of deposits amounted HK\$14,500,000 on 1 November 2018 and as at the Latest Practicable Date, the Company is assessing the case and seeking other meaningful remedial actions to recover the deposit; 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. 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. As at the Latest Practicable Date, the Company is in the process of enforcing the judgment.

For details on the above proceedings, please refer to the interim report of the Company for the six months ended 30 June 2021 published on 13 August 2021.

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

9. EXPERT AND CONSENT

The qualification of the expert who has given opinions, letters or advice contained in this Prospectus is set out below:

Name	Qualification
BDO Limited	Certified public accountants

The above expert has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion therein of its letter, advice, report and/or references to its names, in the form and context in which they are respectively included.

As at the Latest Practicable Date, the above expert was not beneficially interested in the share capital of any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for any securities in any member of the Group, nor did it have any interest, either directly or indirectly, in the assets which have been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group, since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up.

10. EXPENSES

The expenses payable by the Company in connection with the Rights Issue and the Whitewash Waiver, including printing, application fees to regulators, registration, translation, legal, financial advisory, accounting and other professional fees, are estimated to be approximately HK\$1.5 million.

11. DIRECTORS OF THE COMPANY

Name	Business Address
<i>Executive Directors</i>	
Dr. Chan Man Fung (<i>Co-Chairman</i>)	Room 402A, 4/F Park Commercial Centre 180 Tung Lo Wan Road Causeway Bay, Hong Kong
Mr. Pui Wai Lun (<i>Co-Chairman</i>)	Room 402A, 4/F Park Commercial Centre 180 Tung Lo Wan Road Causeway Bay, Hong Kong
Mr. Su Chun Xiang	Room 402A, 4/F Park Commercial Centre 180 Tung Lo Wan Road Causeway Bay, Hong Kong
Mr. Pang Ho Yin	Room 402A, 4/F Park Commercial Centre 180 Tung Lo Wan Road Causeway Bay, Hong Kong
<i>Independent non-executive Directors</i>	
Mr. Yip Chong Ho Eric	Room 402A, 4/F Park Commercial Centre 180 Tung Lo Wan Road Causeway Bay, Hong Kong
Mr. Chow Chi Hang Tony	Room 402A, 4/F Park Commercial Centre 180 Tung Lo Wan Road Causeway Bay, Hong Kong
Mr. Zhang Kun	Room 402A, 4/F Park Commercial Centre 180 Tung Lo Wan Road Causeway Bay, Hong Kong

Executive Directors***Dr. Chan Man Fung***

Dr. Chan, aged 34, was appointed as an executive Director, Co-chairman and the authorized representative on 1 December 2020. Dr. Chan received his Postgraduate Diploma in Business Administration from the Society of Business Practitioners of Cheshire, England in 2017, obtained his doctorate degree in Business Administration from Warnborough College, Ireland in 2016 and received his Postgraduate Diploma in Legal Practice from the University of Oxford, England in 2011. He was graduated from the University of London with a bachelor degree of Laws in 2007 and from The Hong Kong Polytechnic University with a bachelor degree of Arts with a major in Business Studies in 2006. Dr. Chan also is a fellow member of Society of Business Practitioners of Cheshire, England and a practicing chartered legal executive lawyer in England. Dr. Chan was a licensed person for types 1, 2, 4 and 9 regulated activities under the SFO and currently is the director and the substantial shareholder of a corporation licensed by the SFC to carry out type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO. Dr. Chan is a merchant having businesses and investments in Hong Kong and the PRC. Dr. Chan has extensive experience in corporate finance and the legal and financial services fields both in the PRC and Hong Kong and was involved in several merger and acquisition transactions and initial public offerings.

Mr. Pui Wai Lun

Mr. Pui, aged 43, was appointed as an executive Director and Co-chairman on 1 December 2020. Mr. Pui obtained a Master degree of Business Administration in The Trinity College and University, the United States of America in 2018. Mr. Pui awarded an Executive Diploma in Financial Planning by The Hong Kong Management Association in 2011 and is a Registered Financial Adviser (Financial Planning) of International Association of Financial Advisers operated by PAMA International since 2011. Mr. Pui is a merchant having businesses and investments in Hong Kong and the PRC. Mr. Pui has over 20 years of experience in insurance and wealth management, general business practices and corporate financial transactions, such as merger and acquisitions and corporate restructuring. Mr. Pui currently is the director and the substantial shareholder of a corporation licensed by the SFC to carry out type 1 (dealing in securities) regulated activities under the SFO.

Mr. Su Chun Xiang (“Mr. Su”)

Mr. Su, aged 33, was appointed as an executive Director on 9 January 2018, the compliance officer of the Company on 9 February 2018. Mr. Su obtained a degree of Master of Engineering in Software Engineering from Xiamen University in the PRC in 2012. Mr. Su has extensive experience in finance and investment fund management. He was the founder and the general manager of the risk control department of Kunming Precious Metal Exchange* (昆明貴金屬交易所) in the PRC and was the marketing director of the trading department of the COFCO Futures Co., Ltd. in the PRC. Mr. Su is currently the chairman of the board of an assets management company located in Beijing, the PRC, responsible for the overall investment management thereof. Mr. Su has also obtained the qualifications of 基金從業人員 (Fund Practitioner*) and 期貨從業人員 (Futures Practitioner*) respectively in the PRC. Mr. Su is currently an executive director of DT Capital Limited (Stock code: 356), whose shares are listed on the Main Board of the Stock Exchange. Mr. Su is also the managing director of the Wuhu Subsidiary.

Mr. Pang Ho Yin (“Mr. Pang”)

Mr. Pang, aged 46, was appointed as an executive Director on 15 May 2019. Mr. Pang was appointed as the Chief Executive officer of the Company on 11 November 2020. Mr. Pang obtained a bachelor degree of Business Management in the University of Sunderland in Hong Kong. Mr. Pang is currently the general manager of an insurance broker company, responsible for the overall operational and business management of the company. He has over 20 years of experience in insurance and wealth management industry. Mr. Pang also has extensive experience particularly in insurance field and has held positions as senior managers in Manulife (International) Limited and New York Life Insurance Worldwide Limited.

Independent non-executive Directors***Mr. Yip Chong Ho Eric (“Mr. Yip”)***

Mr. Yip, aged 31, was appointed as an independent non-executive Director of the Company, the chairman of each of the audit committee and remuneration committee and the member of the nomination committee of the Company on 23 April 2021. Mr. Yip holds a degree of Bachelor of Business Administration in Professional Accounting from The Open University of Hong Kong. Mr. Yip is a member of Hong Kong Institute of Certified Public Accountants. He has over 6 years of working experience in the field of accounting and finance. He is currently the audit manager of a professional accountants firm. Prior to that, Mr. Yip worked for several professional accountants firm for 4 years and the accounting department of a securities firm for about 2 years.

Mr. Chow Chi Hang Tony (“Mr. Chow”)

Mr. Chow, aged 29, was appointed as an independent non-executive Director on 9 January 2018. He is the chairman of nomination committee and the member of each of the audit committee and remuneration committee of the Company. Mr. Chow obtained a degree of Bachelor of Laws and a Postgraduate Certificate in Laws from The Chinese University of Hong Kong in 2014 and 2015 respectively. Mr. Chow is currently a practicing Barrister-At-Law in Hong Kong practicing in both civil and criminal litigation. Mr. Chow is currently an independent non-executive director of Bonny International Holding Limited (Stock code: 1906), whose shares are listed on the Main Board of the Stock Exchange.

Mr. Zhang Kun (“Mr. Zhang”)

Mr. Zhang, aged 34, was appointed as an independent non-executive Director on 8 April 2020. He is the member of audit committee, nomination committee and remuneration committee of the Company. Mr. Zhang holds a Bachelor Degree in Business Administration from Kemi-Tornio University of Applied Sciences, Finland, and Master Degree in Business Management and Master Degree of Science in Audit and Management Control from Edhec Business School, France. Mr. Zhang is well versed in banking and financial services factors. He had held various positions in banks in the PRC, including as a project manager in investment banking, and was an operation director of an asset management company in Shenzhen. Mr. Zhang has been a supervisor of Shenzhen Credit-reed Investment Management Company Limited since July 2017. Mr. Zhang was a non-executive director of China Investment Development Limited (stock code: 204), a company whose shares are listed on the main board of the Stock Exchange, from March 2018 to January 2019.

12. CORPORATE INFORMATION AND PARTIES TO THE RIGHTS ISSUE

Registered office	71 Fort Street P.O. Box 500, George Town Grand Cayman KY1-1106 Cayman Islands
Head office and principal place of business in Hong Kong	Room 402A, 4/F Park Commercial Centre 180 Tung Lo Wan Road Causeway Bay, Hong Kong
Principal share registrar and transfer office	Appleby Global Services (Cayman) Limited 71 Fort Street P.O. Box 500, George Town Grand Cayman KY1-1106 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Company secretary	Ms. Chik Wai Chun
Authorised representatives	Dr. Chan Man Fung Room 402A, 4/F Park Commercial Centre 180 Tung Lo Wan Road Causeway Bay, Hong Kong Ms. Chik Wai Chun Room 402A, 4/F Park Commercial Centre 180 Tung Lo Wan Road Causeway Bay, Hong Kong

Principal bankers**Bank of China Limited (Wuhu branch)**

No. 2 Jin'e Road
Fanyang Town
Fanchang County
Wuhu, Anhui
People's Republic of China

**Industrial and Commercial Bank of China
(Fanchang branch)**

No. 128 Jin'e Road
Fanyang Town
Fanchang County
Wuhu, Anhui
People's Republic of China

Reporting accountants**BDO Limited**

Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

**Legal adviser to the Company as
to Hong Kong laws****Michael Li & Co.**

19/F, Prosperity Tower
39 Queen's Road Central
Hong Kong

Placing Agent**CIS Securities Asset Management Limited**

21/F Centre Point
181-185 Gloucester Road
Wan Chai, Hong Kong

The Underwriter**P.B. Asia Holdings Limited***Registered address:*

Vistra Corporate Services Centre
Wickhams Cay II, Road Town
Tortola, VG1110
British Virgin Islands

Correspondence address:

Unit 1506, 15/F.
Austin Plaza
83 Austin Road
Kowloon, Hong Kong

13. GENERAL

- (i) The company secretary of the Company is Ms. Chik Wai Chun, who is a chartered company secretary.
- (ii) The compliance officer of the Company is Mr. Su Chun Xiang.
- (iii) The audit committee of the Board was established with written terms of reference were adopted in compliance with the GEM Listing Rules. The main functions of the audit committee is to recommend to the Board on the appointment, reappointment and removal of the external auditors; to approve the remuneration and terms of engagement of the external auditors as well as any questions of resignation or dismissal of such auditors; to review the quarterly, interim and annual reports and accounts of the Group; and to oversee the Company's financial reporting, risk management and internal control procedures. The audit committee consists of three independent non-executive Directors, namely, Mr. Yip Chong Ho Eric (chairman of the committee), Mr. Chow Chi Hang Tony and Mr. Zhang Kun, a summary of their background (including current and past directorships of other listed companies) is set out in the paragraph headed "Directors of the Company" in this appendix.
- (iv) As at the Latest Practicable Date, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong. Save and except for Renminbi, the Group has no exposure to foreign exchange liabilities. The Group will have sufficient foreign exchange, generated from the operation of its subsidiaries to pay any forecasted or planned dividends and to meet any foreign exchange liabilities as they become due.
- (v) In the event of inconsistency, the English text of this Prospectus shall prevail over the Chinese text.
- (vi) Translated English names of Chinese entities for which no official English translation exists are unofficial translations for identification purpose only and should not be regarded as the official English translation of the Chinese names.

14. LEGAL EFFECT

The Prospectus Documents and all acceptance of any offer or application contained in such documents are governed by and shall be construed in accordance with the Laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions, other than the penal provisions, of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

15. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of each of the Prospectus Documents and the written consent referred to in the paragraph headed “Expert and consent” in this appendix have been delivered to the Registrar of Companies of Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

16. DOCUMENTS ON DISPLAY

Copies of the following documents will be available on display on the websites of the Company (www.thepbg.com) and the Stock Exchange (www.hkexnews.hk) for the period of 14 days from the date of this Prospectus:

- (i) the report from BDO Limited on the unaudited pro forma financial information of the Group in respect of the Rights Issue, the text of which is set out in Appendix II to this Prospectus;
- (ii) the written consent referred to in the paragraph headed “Expert and consent” in this appendix; and
- (iii) the material contracts referred to in the paragraph headed “Material contracts” in this appendix.