# PRECIOUS DRAGON TECHNOLOGY HOLDINGS LIMITED
# 保寶龍科技控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1861)**

## ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

### INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Precious Dragon Technology Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2022, together with the comparative figures for the six months ended 30 June 2021. These results have been reviewed by Ernst & Young, the external auditor of the Group, and the audit committee of the Company (the "Audit Committee").

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 June 2022*

| | Notes | **2022** | 2021 |
|---|---|---|---|
| | | **HK$'000** | HK$'000 |
| | | **(Unaudited)** | (Unaudited) |
| REVENUE | 3 | **273,025** | 287,041 |
| Cost of sales | | **(202,625)** | (209,796) |
| Gross profit | | **70,400** | 77,245 |
| Other income and gains | | **2,730** | 7,714 |
| Selling and distribution expenses | | **(17,975)** | (21,758) |
| Administrative expenses | | **(22,320)** | (27,495) |
| Research and development expenses | | **(9,015)** | (12,241) |
| Impairment losses on financial assets, net | | **(1,327)** | (2,473) |
| Other expenses | | **(3,302)** | (7,741) |
| Finance costs | | **(1,936)** | (1,292) |
| PROFIT BEFORE TAX | 4 | **17,255** | 11,959 |
| Income tax expenses | 5 | **(4,120)** | (4,908) |
| PROFIT FOR THE PERIOD | | **13,135** | 7,051 |
| OTHER COMPREHENSIVE (LOSS)/INCOME | | | |
| Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods: | | | |
| Exchange differences on translation of foreign operations | | **(9,153)** | 4,053 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | **3,982** | 11,104 |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 June 2022*

| | Notes | **2022** | 2021 |
|---|---|---|---|
| | | **HK$'000** | HK$'000 |
| | | **(Unaudited)** | (Unaudited) |
| Profit attributable to: | | | |
| Owners of the parent | | **13,179** | 7,089 |
| Non-controlling interests | | **(44)** | (38) |
| | | **13,135** | 7,051 |
| Total comprehensive income attributable to: | | | |
| Owners of the parent | | **4,013** | 11,141 |
| Non-controlling interests | | **(31)** | (37) |
| | | **3,982** | 11,104 |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | 7 | | |
| Basic | | | |
| – For profit for the period | | **HK5.6 cents** | HK3.0 cents |
| Diluted | | | |
| – For profit for the period | | **HK5.6 cents** | HK3.0 cents |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*30 June 2022*

| | Notes | **30 June 2022 HK$'000 (Unaudited)** | 31 December 2021 HK$'000 (Audited) |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | **219,427** | 229,677 |
| Right-of-use assets | | **54,660** | 58,251 |
| Deferred tax assets | | **4,218** | 4,087 |
| Non-current prepayments | | **9,956** | 9,530 |
| Total non-current assets | | **288,261** | 301,545 |
| CURRENT ASSETS | | | |
| Inventories | | **47,738** | 54,767 |
| Trade and bills receivables | 8 | **41,989** | 38,096 |
| Prepayments, deposits and other receivables | | **19,157** | 18,275 |
| Pledged bank deposits | | **18,426** | 19,774 |
| Cash and cash equivalents | | **132,652** | 90,351 |
| Total current assets | | **259,962** | 221,263 |
| CURRENT LIABILITIES | | | |
| Trade and bills payables | 9 | **58,062** | 61,866 |
| Other payables and accruals | | **57,312** | 52,137 |
| Interest-bearing bank and other borrowings | | **42,740** | 59,307 |
| Tax payable | | **3,920** | 2,496 |
| Deferred income | | **234** | 245 |
| Total current liabilities | | **162,268** | 176,051 |
| NET CURRENT ASSETS | | **97,694** | 45,212 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **385,955** | 346,757 |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*30 June 2022*

| | Notes | **30 June 2022 HK$'000 (Unaudited)** | 31 December 2021 HK$'000 (Audited) |
|---|---|---|---|
| NON-CURRENT LIABILITIES | | | |
| Due to a related party | | **35,400** | 35,400 |
| Interest-bearing bank and other borrowings | | **98,517** | 61,064 |
| Deferred tax liabilities | | **2,638** | 2,491 |
| Deferred income | | **1,286** | 1,471 |
| Total non-current liabilities | | **137,841** | 100,426 |
| NET ASSETS | | **248,114** | 246,331 |
| EQUITY | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | | **2,339** | 2,339 |
| Other reserves | | **245,978** | 244,164 |
| | | **248,317** | 246,503 |
| Non-controlling interests | | **(203)** | (172) |
| Total equity | | **248,114** | 246,331 |

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021.

### 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

| | |
|---|---|
| Amendments to IFRS 3 | *Reference to the Conceptual Framework* |
| Amendments to IAS 16 | *Property, Plant and Equipment: Proceeds before Intended Use* |
| Amendments to IAS 37 | *Onerous Contracts - Cost of Fulfilling a Contract* |
| *Annual Improvements to IFRSs 2018-2020* | Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41 |

The nature and impact of the revised IFRSs are described below:

(a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to IFRSs 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:

IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

## 3. REVENUE

An analysis of revenue is as follows:

| | For the six months ended 30 June | |
|---|---|---|
| | **2022** | 2021 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| Revenue from contracts with customers | **273,025** | 287,041 |

**<u>Disaggregated revenue information</u>**

**For the six months ended 30 June 2022**

| **Segments** | **Automotive beauty and maintenance products HK$'000 (Unaudited)** | **Personal care products HK$'000 (Unaudited)** | **Total HK$'000 (Unaudited)** |
|---|---|---|---|
| **Type of goods** | | | |
| Sale of products | **223,707** | **49,318** | **273,025** |
| **Geographical markets** | | | |
| Mainland China | **171,304** | **38,419** | **209,723** |
| Japan | **40,868** | **72** | **40,940** |
| Asia | **1,730** | **7,263** | **8,993** |
| Middle East | **5,040** | **—** | **5,040** |
| America | **3,957** | **529** | **4,486** |
| Others | **808** | **3,035** | **3,843** |
| Total revenue from contracts with customers | **223,707** | **49,318** | **273,025** |
| **Timing of revenue recognition** | | | |
| Goods transferred at a point in time | **223,707** | **49,318** | **273,025** |

## 3. REVENUE (Continued)

**<u>Disaggregated revenue information</u> (Continued)**

For the six months ended 30 June 2021

| Segments | Automotive beauty and maintenance products HK$'000 (Unaudited) | Personal care products HK$'000 (Unaudited) | Total HK$'000 (Unaudited) |
|---|---|---|---|
| **Type of goods** | | | |
| Sale of products | 243,423 | 43,618 | 287,041 |
| **Geographical markets** | | | |
| Mainland China | 182,366 | 27,628 | 209,994 |
| Japan | 44,676 | — | 44,676 |
| Asia | 6,229 | 15,381 | 21,610 |
| Middle East | 2,575 | — | 2,575 |
| America | 6,636 | 609 | 7,245 |
| Others | 941 | — | 941 |
| Total revenue from contracts with customers | 243,423 | 43,618 | 287,041 |
| **Timing of revenue recognition** | | | |
| Goods transferred at a point in time | 243,423 | 43,618 | 287,041 |

## 4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

| | For the six months ended 30 June | |
|---|---|---|
| | **2022** | 2021 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| Cost of inventories sold | **202,625** | 209,796 |
| Depreciation of property, plant and equipment | **10,366** | 10,905 |
| Depreciation of right-of-use assets | **899** | 1,159 |
| Research and development costs | **9,015** | 12,241 |
| Lease payments not included in the measurement of lease liabilities | **171** | 250 |
| Employee benefit expense (including directors' and chief executive's remuneration): | | |
| Wages and salaries | **21,712** | 27,036 |
| Equity-settled share option expense | **—** | 692 |
| Pension scheme contributions | **3,152** | 3,625 |
| | **24,864** | 31,353 |
| Exchange losses,net | **3,104** | 5,092 |
| Loss on disposal of items of property, plant and equipment, net | **17** | 444 |
| Impairment losses on financial assets | **1,327** | 2,473 |
| Write-down of inventories to net realisable value | **—** | 640 |

## 5. INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2021: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

| | **For the six months ended 30 June** | |
|---|---|---|
| | **2022** | 2021 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| Current – Mainland China | **4,296** | 6,465 |
| Deferred | **(176)** | (1,557) |
| | **4,120** | 4,908 |

## 6. DIVIDENDS

| | **For the six months ended 30 June** | |
|---|---|---|
| | **2022** | 2021 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| Proposed interim – HK0.83 cent (2021: HK0.36 cent) per ordinary share | **1,942** | 842 |

## 7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 233,917,250 (2021: 233,684,361) in issue during the period, as adjusted to reflect the rights issue during the period.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

| | **2022** | 2021 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| **Earnings** | | |
| Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations | **13,179** | 7,089 |

| | **Number of shares** | |
|---|---|---|
| | **2022** | 2021 |
| **Shares** | | |
| Weighted average number of ordinary shares in issue used in the basic earnings per share calculation | **233,917,250** | 233,684,361 |
| Effect of dilution – weighted average number of ordinary shares: | | |
| Share options* | **—** | 2,752,891 |
| | **233,917,250** | 236,437,252 |

* the share options had an anti-dilutive effect on the basic earnings per share for the period and were ignored in the calculation of diluted earnings per share.

## 8. TRADE AND BILLS RECEIVABLES

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

| | **30 June 2022 HK$'000 (Unaudited)** | 31 December 2021 HK$'000 (Audited) |
|---|---|---|
| Within 30 days | **25,211** | 25,773 |
| 31 to 60 days | **8,227** | 4,776 |
| 61 to 90 days | **4,449** | 2,825 |
| Over 90 days | **4,102** | 4,722 |
| | **41,989** | 38,096 |

## 9. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as the end of the reporting period, based on the invoice date, is as follows:

| | **30 June 2022 HK$'000 (Unaudited)** | 31 December 2021 HK$'000 (Audited) |
|---|---|---|
| Within 30 days | **30,628** | 30,741 |
| 31 to 60 days | **12,037** | 13,508 |
| 61 to 90 days | **7,007** | 15,871 |
| Over 90 days | **8,390** | 1,746 |
| | **58,062** | 61,866 |

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group is the leading manufacturer specializing in manufacturing of aerosol products used in the automotive beauty and maintenance products in the People's Republic of China ("PRC"). We are principally engaged in the design, development, manufacture and sale of a wide range of automotive beauty and maintenance products including auto cleaning and maintenance products (such as auto interior decoration cleaning products and tyre and wheel cleaning and care products), paint and coating (such as chrome aerosol spray), winter and summer specials (such as refrigerant and cold cranking agent) and air-fresheners. The automotive beauty and maintenance products are in the form of aerosol and non-aerosol products. We also design, develop, manufacture and sell personal care products (such as foaming facial wash, sunscreen, moisturiser, deodoriser and hand wash) and other products including household products (such as paint and floor polish).

The Company sells the products on contract manufacturing service ("CMS") and original brand manufacturing ("OBM"). The Company's OBM business offers products under our own brand names of BOTNY (保賜利), ATM, ETOMAN (已度明), NISSEI, WIN (勝彩), FOX-D (狐狸), PISCIS (百麗時) and PARLUX (派樂士), which are sold mainly through (1) the networks of distributors, who further resell our OBM products to wholesalers, retailers and end-users in the PRC; and (2) the online stores of "保賜利旗艦店" at Tmall and "保賜利京東自營旗艦店" at JD.com.

During the period ended 30 June 2022, the Group continued to allocate resources to further develop the OBM business. The Group enhanced the brand recognition activities, including sponsorship in exhibitions, public relation events and multi-media platforms in order to promote the corporate image and brands to new potential and existing customers. The Group recorded a significant growth in online markets sales which reflects the strategy of continuing to implement the e-commerce strategies in PRC. We have launched the series of automotive beauty and maintenance products, 保寶龍, under our BOTNY (保賜利) brand for the repositioning of our corporate image and for broadening our clientele. We believe in the growth potential of our products under our new 保寶龍 series, as it takes time to establish a new line of products, we expect the other products under our BOTNY (保賜利) brand to remain our main revenue driver in the near future.

## OPERATING ENVIRONMENT AND PROSPECTS

As the global economy is continuously shrouded in the shadow of various difficulties, like, trade protectionism, outbreak of pneumonia caused by novel coronavirus ("COVID-19") and its variants, supply chain crisis and raw material prices in uncertainty and volatility, there are high uncertainties and rapid changes in global economic development. The Group pays close attention to the development and changes of the industry and adjusts its strategies in a timely manner to cope with (i) the uncertainties brought by the trade protectionism, (ii) market demands of products, (iii) unstable supply chain of production materials under the impact of coronavirus crisis, and (iv) changes in the external environment. Meanwhile, by continuously adjusting the diversified strategies and customer management, actively participating in various types of exhibitions in the People's Republic of China ("PRC") and around the world and launching new products to meet market demands, the Group will continue to strengthen the promotion of its own brands, enhance the relationship with customers and expand into new markets, with a view to continually consolidating and strengthening the Group's business development.

Despite of the economic slowdown of PRC, raw material prices in uncertainty and volatility, and heavy pressure caused by COVID-19 and it's variants, the economic foundation of PRC market keeps stable in the long run. Therefore, opportunities and challenges coexist. The Group is still prudent and optimistic towards its domestic market, Original Brand Manufacturing ("OBM") business and personal care products sectors. The Group will continue to improve its OBM business by sponsorship and exhibitions, improving existing OBM products' series, strictly controlling cost, lifting the brand image, and enhancing the competitiveness of products.

To ease the impact of trade protectionism, such as Sino-US trade war, and enhance the manufacturing cost efficiency, the Company strategically acquired a land in Thailand in July 2020 for setting up a new production plant to diversify the production base overseas. The new production plant is expected to be operational by late 2022.

## FINANCIAL REVIEW

### Turnover

For the six months ended 30 June 2022, the Group's recorded a turnover of approximately HK$273.0 million (six months ended 30 June 2021: approximately HK$287.0 million), representing a decrease of approximately 4.9% as compared to the corresponding period of 2021.

For the six months ended 30 June 2022, the Group generated revenue of approximately HK$209.7 million (six months ended 30 June 2021: approximately HK$210.0 million) from PRC customers, representing a slight decrease of approximately 0.1% as compared to the corresponding period of 2021. The decrease in PRC sales was mainly caused by the negative impacts on sales caused by the short term locked-down in various provinces of PRC in the first half of 2022, which was partially offset by execution of effective sales strategies of OBM products and development online sales platform to drive the growth of the sales.

For the six months ended 30 June 2022, the Group recorded revenue from overseas customers of approximately HK$63.3 million (six months ended 30 June 2021: approximately HK$77.0 million). The significant decrease in oversea sales was mainly caused by the effects of (i) the global economic slowdown as a result of the prolonged COVID-19 pandemic; and (ii) unstable supply chain in PRC, which drove portions of overseas customers shifted the orders to overseas competitors.

**Cost of Sales**

For the six months ended 30 June 2022, cost of sales of the Group amounted to approximately HK$202.6 million (six months ended 30 June 2021: HK$209.8 million), which represented approximately 74.2% (six months ended 30 June 2021: approximately 73.1%) of the turnover in the period. There was an increase of approximately 1.1% in percentage of cost of sales which was mainly attributable to the net effects of (i) the increase in raw material prices, including tinplate containers, solvents and gas, which was caused by the increase in crude oil price; (ii) variation of sales of products mix; and (iii) increase of manufacturing overhead caused by the decrease of sales volume as a result of the economic slowdown.

**Gross Profit and Gross Profit Margin**

The Group recorded a gross profit amounted to approximately HK$70.4 million for the six months ended 30 June 2022 (six months ended 30 June 2021: approximately HK$77.2 million), representing a significant decrease of approximately 8.9% as compared to the corresponding period of 2021. The decrease in gross profit was mainly driven by the effects of (i) the decrease in sales due to the global economic slowdown as a result of the prolonged COVID-19 pandemic and the short term locked-down in various provinces of PRC in the first half of 2022; (ii) the increase in raw material prices, including tinplate containers, solvents and gas; and (iii) unstable supply chain in PRC, which drove portions of customers shifted the orders to overseas competitors.

**Other Income and Gains**

Other income and gains mainly consist of sales of scrap materials, bank interest income, income from provision of research and development services and government grants. For the six months ended 30 June 2022, other income and gains of the Group was approximately HK$2.7 million (six months ended 30 June 2021: approximately HK$7.7 million), representing a significant decrease of 64.6%, which was mainly due to the effects of (i) the decrease in government grants by approximately HK$1.6 million, and (ii) the decrease in income from provision of research and development services by approximately HK$2.5 million.

**Selling and Distribution Expenses**

Selling and distribution expenses mainly consist of transportation expenses and declaration charges for delivery of products to customers, salaries, performance bonuses and employee benefits expenses for the sales and marketing staff, business travel, entertainment expenses, advertisement and promotion costs. For the six months ended 30 June 2022, selling and distribution expenses were approximately HK$18.0 million (six months ended 30 June 2021: approximately HK$21.8 million), representing a significant decrease of approximately 17.4% as compared to the corresponding period of 2021. The decrease was primarily due to the effects of (i) the decrease in oversea sales which caused less transportation costs incurred; and (ii) the implementation of strict cost control measures to reduce the general expenses.

**Administrative Expenses**

Administrative expenses mainly represent staff salaries, share option expenses, welfare and bonus for our administrative staff and directors' remuneration, professional fees, other taxes and surcharges, and depreciation expenses. For the six months ended 30 June 2022, administrative expenses were approximately HK$22.3 million (six months ended 30 June 2021: approximately HK$27.5 million), representing a significant decrease of approximately 18.8% as compared to the corresponding period of 2021. The decrease in administrative expenses was primarily due to the net effects (i) decrease in staff salaries and welfare to approximately HK$7.3 million (six months ended 30 June 2021: HK$7.4 million); (ii) decrease in maintenance costs to approximately HK$0.4 million (six months ended 30 June 2021: HK$2.1 million); (iii) decrease in entertainment expenses to approximately HK$0.7 million (six months ended 30 June 2021: HK$1.2 million); and (iv) decrease of bank charges to approximately HK$0.7 million (six months ended 30 June 2021: HK$1.1 million).

**Finance Costs**

For the six months ended 30 June 2022, the finance costs of the Group were approximately HK$1.9 million (six months ended 30 June 2021: approximately HK$1.3 million), representing an increase of approximately 49.8% as compared to the corresponding period of 2021. The significant increase in finance cost was mainly due to increase in average bank loan outstanding balance compared to corresponding period of 2021 and increase in overall bank borrowing interest rate.

### Net Profit

The Group's net profit attributable to owners of the parent amounted to approximately HK$13.2 million for the six months ended 30 June 2022 (six months ended 30 June 2021: approximately HK$7.1 million), representing a significant increase of approximately 85.9% as compared to the corresponding period in 2021. Significant increase in net profit attributable to owners of the parent was mainly attributable to, among other things, the decrease in selling and distribution expenses, administrative expenses, research and development expenses and other expenses which was partially offset by the decrease in gross profit and other income and gains.

## TREASURY POLICY

The Group adopts treasury policy that aims to better control its treasury operations and lower borrowing cost. As such, the Group endeavours to maintain an adequate level of cash and cash equivalents to address short term funding needs. The Board would also consider various funding sources depending on the Group's funding needs to ensure that the financial resources have been used in the most cost-effective and efficient way to meet the Group's financial obligations. The Board reviews and evaluates the Group's treasury policy from time to time to ensure its adequacy and effectiveness.

## LIQUIDITY AND CAPITAL RESOURCES

### Net Current Assets

As at 30 June 2022, the Group had net current assets of approximately HK$97.7 million (31 December 2021: approximately HK$45.2 million). The Group's cash and cash equivalents (including pledged bank deposits) amounted to HK$151.1 million as at 30 June 2022 (31 December 2021: HK$110.1 million) which are mainly denominated in Renminbi, United States dollars, Japanese yen, Thailand Baht, Hong Kong dollars and Indian Rupee. The current ratio of the Group was approximately 1.6 as at 30 June 2022 (31 December 2021: approximately 1.3).

### Borrowings and the Pledge of Assets

The bank borrowings of the Group, which were secured by our property, plant and equipment and land use rights amounted to approximately HK$141.1 million as at 30 June 2022 with maturity ranged from 2022 to 2027 (31 December 2021: approximately HK$120.0 million). All borrowings are charged with reference to Minimum Lending Rate, Loan Prime Rate and HIBOR.

As at 30 June 2022, we had available unutilized banking facilities of approximately HK$193.2 million (31 December 2021: HK$260.7 million).

**Gearing Ratio**

As a result of the increase in cash and cash equivalents and the increase in total borrowings of the Group, the gearing ratio which is calculated by dividing total debt by equity attributable to owners of the Company, amounted to approximately 32.6% as at 30 June 2022 (31 December 2021: approximately 35.4%).

## CAPITAL STRUCTURE

As at 30 June 2022, the total number of issued shares of the Company (the "Shares") was 233,917,250 (31 December 2021: 233,917,250).

## FOREIGN EXCHANGE EXPOSURE AND EXCHANGE RATE RISK

Approximately 23.2% of the Group's revenue for the six months ended 30 June 2022 were denominated in US$. However, over 90.0% of the production costs were settled in RMB. Therefore, there is a currency mismatch between US$ revenue and RMB production costs, which gives rise to exposure to foreign exchange risk. Furthermore, there is a time lag between invoicing and final settlement from customers of export sales. The Group is exposed to foreign exchange risks if the foreign exchange rate at which the US$ sales proceeds received from export sales is different from the rate at which the Group used to book the US$ sales transactions at the time of sales.

During the six months ended 30 June 2022, we did not enter into any foreign currency forward contracts nor have any outstanding foreign currency forward contracts.

## EMPLOYEES AND EMOLUMENTS POLICY

As at 30 June 2022, the Group had a workforce of 480 employees (31 December 2021: 513 employees). The staff costs, including directors' emoluments but excluding any contributions to the pension scheme, were approximately HK$21.7 million for the six months ended 30 June 2022 (six months ended 30 June 2021: approximately HK$27.0 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of an individual employee. In addition to a basic salary, year-end bonuses are offered to those staff with outstanding performance and share options are granted to attract and retain eligible employees of the Group. Share options would be granted to certain eligible persons with outstanding performance and contributions to the Group. The emoluments of the directors of the Company (the "Directors") have been determined with reference to the skills, knowledge, and contribution in the Company's affairs and the performance of each Director, and to the profitability of the Company and prevailing market conditions during the six months ended 30 June 2022.

## SIGNIFICANT INVESTMENTS

As at 30 June 2022, the Group did not have any significant investments (31 December 2021: nil).

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended 30 June 2022, the Group had no acquisition or disposal of subsidiaries, associates or joint ventures.

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the Company's prospectus dated 3 June 2019, the Group did not have other approved plans for material investments or capital assets as at 30 June 2022.

## CONTRACTUAL OBLIGATIONS

As at 30 June 2022, the Group's capital commitments approximately amounted to HK$0.1 million representing the commitment of plant and machinery (31 December 2021: HK$8.8 million).

## CONTINGENT LIABILITIES

As at 30 June 2022, the Group had no significant contingent liabilities (31 December 2021: nil).

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2022 neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

## EVENTS AFTER REPORTING PERIOD

There were no significant events after 30 June 2022 and up to the date of this announcement.

## AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established on 27 May 2019 with terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 (the "CG Code") to the Listing Rules for the purpose of making recommendations to the Board on the appointment and removal of the external auditor, reviewing the financial statements and related materials, providing advice in respect of the financial reporting process and overseeing the risk management and internal control systems of the Group. The Audit Committee now comprises three members, all being independent non-executive Directors, namely, Mr. Poon Tak Ching (Chairman), Mr. Lee Yiu Pui and Mr. Pang Cheung Wai, Thomas. The Group's accounting principles and practices, financial statements and related materials for the period had been reviewed by the Audit Committee.

The Audit Committee has reviewed, with the management, the accounting principles and policies adopted by the Group, and discussed the unaudited condensed consolidated financial statements matters of the Group for the six months ended 30 June 2022 and recommended its adoption by the Board.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the CG Code during the six months ended 30 June 2022 except the CG Code provision C.2.1.

Pursuant to code provision C.2.1 of the CG Code, the responsibilities between the chairman and the chief executive should be separate and should not be performed by the same individual. However, we do not have a separate chairlady of the Board (the "Chairlady") and chief executive of the Company (the "Chief Executive") and Ms. Ko Sau Mee ("Mrs. Lin") currently performs these two roles.

In view of Mrs. Lin is one of the co-founders of the Group and has been operating and managing the Group since 2000, the Board believes that vesting the roles of both Chairlady and Chief Executive in the same person has the benefit of ensuring consistent leadership within the Company and enables more effective and efficient overall strategic planning for the Company. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively, given that (i) any decision to be made by the Board requires approval by at least a majority of the Directors and as the Board comprises three independent non-executive Directors out of seven Directors, we believe there is sufficient check and balance in the Board; (ii) Mrs. Lin and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that she acts for the benefit and in the best interests of the Company and Shareholders and will make decisions for the Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high calibre individuals who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategic and other key business, financial and operational decisions of the Group are made collectively after thorough discussion at both the Board and senior management levels. The Board will continue to review and consider separating the roles of Chairlady and Chief Executive at a time when it is appropriate and suitable by taking into account the circumstances of the Company as a whole.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding the Directors' securities transactions. All Directors have confirmed that, following specific enquiries made by the Company, they have complied with the required standards set out in the Model Code for the six months ended 30 June 2022.

## DIVIDENDS

The Board has resolved to declare an interim dividend of HK0.83 cent per Share for the six months ended 30 June 2022 (six months ended 30 June 2021: HK0.36 cent per Share) to be payable on or around 31 October 2022 to the shareholders of the Company whose names appear on the register of members of the Company on 8 September 2022.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 6 September 2022 to 8 September 2022, both days inclusive, during which period no transfers of Shares shall be effected. In order to qualify for the interim dividend, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 5 September 2022.

## PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (http://www.botny.com). The interim report of the Company for the six months ended 30 June 2022 will be dispatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
**Precious Dragon Technology Holdings Limited**
**保寶龍科技控股有限公司**
**Ko Sau Mee**
*Chairlady and executive Director*

Hong Kong, 24 August 2022

*As at the date of this announcement, the executive Directors are Ms. Ko Sau Mee, Ms. Lin Hing Lei, Mr. Lin Hing Lung and Mr. Yang Xiaoye; and the independent non-executive Directors are Mr. Lee Yiu Pui, Mr. Poon Tak Ching and Mr. Pang Cheung Wai Thomas.*

* *For identification purpose only*