

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

## **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 2021**

#### **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 2021, together with the comparative figures for the six months ended 30 June 2020. 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 2021*

	Notes	<b>2021</b>	2020
		<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	(Unaudited)
REVENUE	3	<b>287,041</b>	344,091
Cost of sales		<b>(209,796)</b>	(219,977)
Gross profit		<b>77,245</b>	124,114
Other income and gains		<b>7,714</b>	6,893
Selling and distribution expenses		<b>(21,758)</b>	(26,302)
Administrative expenses		<b>(27,495)</b>	(27,587)
Research and development expenses		<b>(12,241)</b>	(8,724)
Impairment losses on financial assets, net		<b>(2,473)</b>	(2,916)
Other expenses		<b>(7,741)</b>	(3,921)
Finance costs		<b>(1,292)</b>	(880)
PROFIT BEFORE TAX	4	<b>11,959</b>	60,677
Income tax expense	5	<b>(4,908)</b>	(20,958)
PROFIT FOR THE PERIOD		<b>7,051</b>	39,719
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<b>4,053</b>	(4,546)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<b>11,104</b>	35,173

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

*For the six months ended 30 June 2021*

	Notes	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Profit attributable to:			
Owners of the parent		7,089	29,918
Non-controlling interests		(38)	9,801
		<u>7,051</u>	<u>39,719</u>
Total comprehensive income attributable to:			
Owners of the parent		11,141	25,595
Non-controlling interests		(37)	9,578
		<u>11,104</u>	<u>35,173</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
	7		
Basic			
– For profit for the period		<u>HK3.0 cents</u>	<u>HK12.8 cents</u>
Diluted			
– For profit for the period		<u>HK3.0 cents</u>	<u>HK12.8 cents</u>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	Notes	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>211,545</b>	163,680
Right-of-use assets		<b>57,896</b>	58,396
Deferred tax assets		<b>4,310</b>	3,790
Non-current prepayments		<b>9,188</b>	19,245
Total non-current assets		<b>282,939</b>	245,111
<b>CURRENT ASSETS</b>			
Inventories		<b>62,459</b>	56,374
Trade and bills receivables	8	<b>41,456</b>	40,482
Prepayments, deposits and other receivables		<b>17,482</b>	13,367
Pledged bank deposits		<b>4,777</b>	4,319
Cash and cash equivalents		<b>151,962</b>	161,622
Total current assets		<b>278,136</b>	276,164
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	9	<b>57,355</b>	53,273
Other payables and accruals		<b>70,225</b>	105,521
Interest-bearing bank and other borrowings		<b>74,868</b>	68,605
Tax payable		<b>2,536</b>	3,432
Deferred income		<b>240</b>	238
Total current liabilities		<b>205,224</b>	231,069
<b>NET CURRENT ASSETS</b>		<b>72,912</b>	45,095
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>355,851</b>	290,206

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	Notes	<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
<b>NON-CURRENT LIABILITIES</b>			
Due to a related party		<b>60,000</b>	60,000
Interest-bearing bank and other borrowings		<b>60,126</b>	178
Deferred tax liabilities		<b>1,559</b>	2,641
Deferred income		<b>1,563</b>	1,663
		<hr/>	<hr/>
Total non-current liabilities		<b>123,248</b>	64,482
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>232,603</b>	225,724
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	10	<b>2,339</b>	2,335
Other reserves		<b>230,397</b>	223,485
		<hr/>	<hr/>
		<b>232,736</b>	225,820
Non-controlling interests		<b>(133)</b>	(96)
		<hr/>	<hr/>
Total equity		<b>232,603</b>	225,724
		<hr/> <hr/>	<hr/> <hr/>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 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 2020.

## 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 2020, 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 9, IAS 39,  
IFRS 7, IFRS 4 and IFRS 16

*Interest Rate Benchmark Reform – Phase 2*

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank and other borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate and various Interbank Offered Rates as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met.

### 3. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue from contracts with customers	<u>287,041</u>	<u>344,091</u>

#### Disaggregated revenue information

##### 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 industrial products	<u>243,423</u>	<u>43,618</u>	<u>287,041</u>

#### 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	<u>243,423</u>	<u>43,618</u>	<u>287,041</u>
---	----------------	---------------	----------------

#### Timing of revenue recognition

Goods transferred at a point in time	<u>243,423</u>	<u>43,618</u>	<u>287,041</u>
--------------------------------------	----------------	---------------	----------------

### 3. REVENUE (Continued)

#### Disaggregated revenue information (Continued)

For the six months ended 30 June 2020

Segments	Automotive beauty and maintenance products HK\$'000 (Unaudited)	Personal care products HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>Type of goods</b>			
Sale of industrial products	<u>200,563</u>	<u>143,528</u>	<u>344,091</u>
<b>Geographical markets</b>			
Mainland China	139,530	69,616	209,146
Japan	52,118	1,655	53,773
Asia	2,899	61,701	64,600
Middle East	2,686	—	2,686
America	1,845	9,773	11,618
Others	<u>1,485</u>	<u>783</u>	<u>2,268</u>
Total revenue from contracts with customers	<u>200,563</u>	<u>143,528</u>	<u>344,091</u>
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	<u>200,563</u>	<u>143,528</u>	<u>344,091</u>



### 3. REVENUE (Continued)

#### Disaggregated revenue information (Continued)

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

**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)
<b>Revenue from contracts with customers</b>			
External customers	243,423	43,618	287,041
Intersegment sales	68	241	309
	<u>(68)</u>	<u>(241)</u>	<u>(309)</u>
Intersegment adjustments and eliminations			
	<u>(68)</u>	<u>(241)</u>	<u>(309)</u>
Total revenue from contracts with customers	<u><u>243,423</u></u>	<u><u>43,618</u></u>	<u><u>287,041</u></u>

For the six months ended 30 June 2020

Segments	Automotive beauty and maintenance products HK\$'000 (Unaudited)	Personal care products HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>Revenue from contracts with customers</b>			
External customers	200,563	143,528	344,091
Intersegment sales	151	1,212	1,363
	<u>(151)</u>	<u>(1,212)</u>	<u>(1,363)</u>
Intersegment adjustments and eliminations			
	<u>(151)</u>	<u>(1,212)</u>	<u>(1,363)</u>
Total revenue from contracts with customers	<u><u>200,563</u></u>	<u><u>143,528</u></u>	<u><u>344,091</u></u>

#### 4. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	209,796	219,977
Depreciation of property, plant and equipment	10,905	8,468
Depreciation of right-of-use assets	1,159	1,815
Research and development costs	12,241	8,724
Lease payments not included in the measurement of lease liabilities	250	260
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	27,036	21,730
Equity-settled share option expense	692	2,107
Pension scheme contributions	3,625	2,420
	<u>31,353</u>	<u>26,257</u>
Exchange losses, net	5,092	1,757
Loss on disposal of items of property, plant and equipment, net	444	116
Impairment losses on financial assets	2,473	2,916
Write-down of inventories to net realisable value	640	787

#### 5. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. 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	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current – Mainland China	3,188	16,048
Current – Hong Kong	3,277	4,976
Deferred	(1,557)	(66)
	<u>4,908</u>	<u>20,958</u>

## 6. DIVIDENDS

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Final declared – HK2.45 cents (2020: HK2.45 cents) per ordinary share	5,726	5,722
Proposed interim – HK0.36 cent (2020: HK2.00 cents) per ordinary share	842	4,671

The final dividend of 2020 was paid on 30 July 2021.

## 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 233,684,361 (2020: 233,544,750) 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.

	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	<u>7,089</u>	<u>29,918</u>

	Number of shares	
	2021	2020
<b>Shares</b>		
Weighted average number of ordinary shares in issue used in the basic earnings per share calculation	233,684,361	233,544,750
Effect of dilution – weighted average number of ordinary shares: Share options	<u>2,752,891</u>	<u>—</u>
	<u>236,437,252</u>	<u>233,544,750</u>

## 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:

	<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
Within 30 days	26,326	19,809
31 to 60 days	4,754	11,390
61 to 90 days	3,326	1,949
Over 90 days	7,050	7,334
	<u>41,456</u>	<u>40,482</u>

## 9. TRADE AND BILLS PAYABLES

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

	<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
Within 30 days	31,960	32,145
31 to 60 days	11,251	11,019
61 to 90 days	12,638	8,973
Over 90 days	1,506	1,136
	<u>57,355</u>	<u>53,273</u>

## 10. SHARE CAPITAL

The subscription rights attaching to 372,500 share options were exercised at a subscription price at HK\$2.17 per share, resulting in the issue of 372,500 shares of HK\$0.01 each for a total cash consideration of HK\$809,000. An amount of HK\$372,500 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

Precious Dragon Technology Holdings Limited (the “Company”) and its subsidiaries (collectively, 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 2021, the Group continued to allocate more 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 shrouded in the shadow of the political issues, like, trade protectionism and outbreak of pneumonia caused by novel coronavirus (“COVID-19”), 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) supply chain of production materials under the impact of prolonged COVID-19 pandemic, and (iv) changes in the external environment. Meanwhile, by continuously adjusting the diversified strategy 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 and heavy pressure caused by prolonged COVID-19 pandemic, 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 reduce the negative 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.

## **FINANCIAL REVIEW**

### **Turnover**

For the six months ended 30 June 2021, the Group’s recorded a turnover of approximately HK\$287.0 million (six months ended 30 June 2020: approximately HK\$344.1 million), representing a decrease of approximately 16.6% as compared to the corresponding period of 2020.

For the six months ended 30 June 2021, the Group generated revenue of approximately HK\$210.0 million (six months ended 30 June 2020: approximately HK\$209.1 million) from PRC customers, representing a slight increase of approximately 0.4% as compared to the corresponding period of 2020. The increase in PRC sales caused by the net effects of (i) execution of marketing strategies of OBM products and development online sales platform to drive the growth of the sales; and (ii) the economic slowdown of PRC caused by the prolonged COVID-19 pandemic.

For the six months ended 30 June 2021, the Group recorded revenue from overseas customers of approximately HK\$77.0 million (six months ended 30 June 2020: approximately HK\$135.0 million). The significant decrease in overseas sales was mainly caused by the effects of (i) the global economic slowdown as a result of the prolonged COVID-19 pandemic; and (ii) higher shipment costs caused by the surge in sea freight costs and longer docking time under the ongoing COVID-19 pandemic, which have negative impacts on sales order from overseas.

### **Cost of Sales**

For the six months ended 30 June 2021, cost of sales of the Group amounted to approximately HK\$209.8 million (six months ended 30 June 2020: HK\$220.0 million), which represented approximately 73.1% (six months ended 30 June 2020: approximately 63.9%) of the turnover in the period. There was an increase of approximately 9.2% in percentage of cost of sales which was mainly attributable to the net effects of (i) the significant 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\$77.2 million for the six months ended 30 June 2021 (six months ended 30 June 2020: approximately HK\$124.1 million), representing a significant decrease of approximately 37.8% as compared to the corresponding period of 2020. The decrease in gross profit was mainly driven by the effects of (i) the decrease in overseas sales due to the global economic slowdown as a result of the prolonged COVID-19 pandemic; (ii) the significant increase in raw material prices, including tinplate containers, solvents and gas; and (iii) the surge in sea freight costs as freighters were docked for longer time under the ongoing COVID-19 pandemic.

### **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 2021, other income and gains of the Group was approximately HK\$7.7 million (six months ended 30 June 2020: approximately HK\$6.9 million), representing an increase of 11.6%, which was mainly due to the effects of (i) increase of government grants of approximately HK\$0.2 million, and (ii) increase of income from provision of research and development services of approximately HK\$0.4 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 2021, selling and distribution expenses were approximately HK\$21.8 million (six months ended 30 June 2020: approximately HK\$26.3 million), representing a decrease of approximately 17.3% as compared to the corresponding period of 2020. The decrease was primarily due to the effects of (i) decrease in oversea sales which caused less transportation costs incurred; and (ii) decrease in salaries, performance bonus and share option 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 2021, administrative expenses were approximately HK\$27.5 million (six months ended 30 June 2020: approximately HK\$27.6 million), representing a slight decrease of approximately 0.3% as compared to the corresponding period of 2020. The decrease in administrative expenses was primarily due to the net effects (i) increase in staff salaries and welfare to approximately HK\$7.4 million (six months ended 30 June 2020: HK\$6.1 million), (ii) decrease in maintenance costs to approximately HK\$2.1 million (six months ended 30 June 2020: HK\$3.2 million), (iii) decrease in depreciation expenses to approximately HK\$3.5 million (six months ended 30 June 2020: HK\$4.0 million), (iv) decrease in share option expenses to approximately HK\$0.4 million (six months ended 30 June 2020: HK\$1.2 million), (v) decrease in professional fees and consulting fee to approximately HK\$2.2 million (six months ended 30 June 2020: HK\$4.6 million), and (vi) increase of bank charges to approximately HK\$1.1 million (six months ended 30 June 2020: HK\$0.1 million).

## **Finance Costs**

For the six months ended 30 June 2021, the finance costs of the Group were approximately HK\$1.3 million (six months ended 30 June 2020: approximately HK\$0.9 million), representing an increase of approximately 44.4% as compared to the corresponding period of 2020. The increase in finance cost was mainly due to increase in average bank loan outstanding balance compared to corresponding period of 2020 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\$7.1 million for the six months ended 30 June 2021 (six months ended 30 June 2020: approximately HK\$29.9 million), representing a significant decrease of approximately 76.3% as compared to the corresponding period in 2020. Significant decrease in net profit attributable to owners of the parent was mainly attributable to, among other things, (i) the decrease in overseas sales due to the global economic slowdown as a result of the prolonged COVID-19 pandemic; (ii) the significant increase in raw material prices, including tinplate containers, solvents and gas; and (iii) the surge in sea freight costs as freighters were docked for longer time under the ongoing COVID-19 pandemic, which have negative impacts on sales order from overseas.

## **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 2021, the Group had net current assets of approximately HK\$72.9 million (31 December 2020: approximately HK\$45.1 million). The Group's cash and cash equivalents (including pledged bank deposits) amounted to HK\$156.7 million as at 30 June 2021 (31 December 2020: HK\$165.9 million) which are mainly denominated in Renminbi, United States dollars, Japanese yen, Thailand Baht and Hong Kong dollars. The current ratio of the Group was approximately 1.4 as at 30 June 2021 (31 December 2020: approximately 1.2).

### **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\$99.1 million as at 30 June 2021 with maturity in 2022 (31 December 2020: approximately HK\$67.8 million). All borrowings are charged with reference to bank's preferential floating rates, loan prime rate and HIBOR.

As at 30 June 2021, we had available unutilized banking facilities of approximately HK\$265.8 million (31 December 2020: HK\$108.6 million).

## **Gearing Ratio**

As a result of the decrease 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 38.3% as at 30 June 2021 (31 December 2020: approximately 31.3%).

## **CAPITAL STRUCTURE**

As at 30 June 2021, the total number of issued shares of the Company (the “Shares”) was 233,917,250 (31 December 2020: 233,544,750).

## **FOREIGN EXCHANGE EXPOSURE AND EXCHANGE RATE RISK**

Approximately 26.8% of the Group’s revenue for the six months ended 30 June 2021 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 2021, 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 2021, the Group had a workforce of 532 employees (31 December 2020: 511 employees). The staff costs, including directors’ emoluments but excluding any contributions to the pension scheme, were approximately HK\$27.0 million for the six months ended 30 June 2021 (six months ended 30 June 2020: approximately HK\$21.7 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. 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 2021.

## **SIGNIFICANT INVESTMENTS**

As at 30 June 2021, the Group did not have any significant investments (31 December 2020: nil).

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

On 12 April 2021, Precious Dragon Technology Thai Limited (“Precious Dragon Technology Thai”), a wholly-owned subsidiary of the Company, entered into a construction agreement with each of State Construction Co., Ltd. and S.P. 64 KARNCHANG Co., Ltd. (the “Construction Agreements”) in relation to the design and construction of the production plant to be constructed on the land situated in Pinthong Industrial Estate Project 3 at the following address: 219 Moo 6, Bowin Sub-district, Sriracha District, Chonburi Province 20230, Plot No. G016, with the Title Deed No. 170459, Land Range No. 5235 III 2248,2448, Land No. 5101, Survey Page no. 22333, covering a total area of 36,983.20 square meters (the “Land”), pursuant to the Construction Agreements on the Land at a total contract sum (including value-added tax and other applicable tax) of Baht 124,956,873.30 (equivalent to approximately HK\$30.8 million) and Baht 90,933,982.46 (equivalent to approximately HK\$22.4 million), respectively. Pursuant to the Construction Agreements, the Contractors will, among other things, perform structural and architectural works for the Factory including production lines, warehouse and office.

The construction of a new production plant (the “Factory”) on the Land is in line with the Group’s plan to build and develop an overseas manufacturing plant and will, upon completion and operation of the Factory, enable the Group to (i) cope with the changes and impacts that may result from the Sino-US trade war and other international trade barriers; (ii) benefit from the lower cost of raw materials from the surrounding area, enhancing the competitiveness of the Group’s products in Asia; and (iii) diversify the operational risk arising from the increasingly stringent health, safety and environmental policies, laws and regulations in the PRC. As such, the Group entered into the Construction Agreements with the Contractors on 12 April 2021 for the design and construction of the Factory.

Details of the Construction Agreements are set out in the announcements of the Company dated 10 June 2020, 11 November 2020 and 12 April 2021.

Save as disclosed above, during the six months ended 30 June 2021, 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 2021.

## **CONTRACTUAL OBLIGATIONS**

As at 30 June 2021, the Group's capital commitments approximately amounted to HK\$3.6 million (31 December 2020: HK\$5.9 million).

## **CONTINGENT LIABILITIES**

As at 30 June 2021, the Group had no significant contingent liabilities (31 December 2020: Nil).

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the six months ended 30 June 2021, 372,500 new ordinary Shares were issued upon the exercise of share options under the Pre-IPO Share Option Scheme of the Company.

Save as disclosed herein, during the six months ended 30 June 2021 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 2021 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 2021 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 2021 except the CG Code provision A.2.1.

Pursuant to code provision A.2.1 of the CG Code, the responsibilities between the chairman and the chief executive should be separated 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 2021.

## **DIVIDENDS**

The Board has resolved to declare an interim dividend of HK0.36 cent per Share for the six months ended 30 June 2021 (six months ended 30 June 2020: HK2.00 cents per Share) to be payable on or around 27 October 2021 to the shareholders of the Company whose names appear on the register of members of the Company on 8 September 2021.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 6 September 2021 to 8 September 2021, 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 3 September 2021.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This interim results announcement is published on the websites of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company (<http://www.botny.com>). The interim report of the Company for the six months ended 30 June 2021 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, 23 August 2021

*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*