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## **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)**

### **ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **ANNUAL RESULTS**

The board (the “Board”) of directors (the “Directors”) of Precious Dragon Technology Holdings Limited (the “Company”) is pleased to announce the consolidated financial results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2021 (the “Reporting Period”), together with the comparative figures for the year ended 31 December 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”).

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

*For the year ended 31 December 2021*

	Notes	2021 HK\$'000	2020 HK\$'000
REVENUE	5	610,350	665,651
Cost of sales		(453,256)	(442,135)
Gross profit		<u>157,094</u>	<u>223,516</u>
Other income and gains	5	14,842	14,827
Selling and distribution expenses		(46,406)	(49,938)
Administrative expenses		(54,276)	(56,074)
Research and development expenses	6	(25,618)	(21,371)
Impairment losses on financial assets, net	6	(138)	(4,110)
Other expenses		(14,230)	(12,191)
Finance costs	7	(2,759)	(1,406)
PROFIT BEFORE TAX	6	28,509	93,253
Income tax expenses	8	(10,493)	(29,617)
PROFIT FOR THE YEAR		<u>18,016</u>	<u>63,636</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		7,663	12,882
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>25,679</u>	<u>76,518</u>
Profit attributable to:			
Owners of the parent		18,093	53,161
Non-controlling interests		(77)	10,475
		<u>18,016</u>	<u>63,636</u>
Total comprehensive income attributable to:			
Owners of the parent		25,755	64,940
Non-controlling interests		(76)	11,578
		<u>25,679</u>	<u>76,518</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic		<u>HK7.7 cents</u>	<u>HK22.8 cents</u>
Diluted		<u>HK7.7 cents</u>	<u>HK22.8 cents</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2021*

		31 December 2021 HK\$'000	31 December 2020 HK\$'000
	Notes		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	229,677	163,680
Right-of-use assets		58,251	58,396
Deferred tax assets		4,087	3,790
Non-current prepayments		9,530	19,245
		301,545	245,111
<b>Total non-current assets</b>			
<b>CURRENT ASSETS</b>			
Inventories	11	54,767	56,374
Trade and bills receivables	12	38,096	40,482
Prepayments, deposits and other receivables		18,275	13,367
Pledged bank deposits		19,774	4,319
Cash and cash equivalents		90,351	161,622
		221,263	276,164
<b>Total current assets</b>			
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	13	61,866	53,273
Other payables and accruals		52,137	105,521
Interest-bearing bank and other borrowings	15	59,307	68,605
Tax payable		2,496	3,432
Deferred income		245	238
		176,051	231,069
<b>Total current liabilities</b>			
<b>NET CURRENT ASSETS</b>		<b>45,212</b>	45,095
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>346,757</b>	290,206
<b>NON-CURRENT LIABILITIES</b>			
Due to a related party		35,400	60,000
Interest-bearing bank and other borrowings	15	61,064	178
Deferred tax liabilities		2,491	2,641
Deferred income		1,471	1,663
		100,426	64,482
<b>Total non-current liabilities</b>			
<b>Net assets</b>		<b>246,331</b>	225,724

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2021

	<b>31 December 2021 HK\$'000</b>	31 December 2020 HK\$'000
EQUITY		
Equity attributable to owners of the parent		
Share capital	<b>2,339</b>	2,335
Reserves	<b>244,164</b>	223,485
	<b>246,503</b>	225,820
Non-controlling interests	<b>(172)</b>	(96)
Total equity	<b><u>246,331</u></b>	<b><u>225,724</u></b>

*NOTES:*

**1. CORPORATE AND GROUP INFORMATION**

Precious Dragon Technology Holdings Limited (the “Company”) was incorporated on 5 May 2018 in the Cayman Islands (“Cayman”) as a limited liability. The registered office of the Company is located at Ocorian Trust (Cayman) Limited, Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 21 June 2019 (the “Listing Date”).

During the year, the Company and its subsidiaries (collectively referred to as the “Group”) were principally involved in the content filling of aerosol cans, and the production and sale of ethanol, aerosol products and non-aerosol products.

Pursuant to the reorganisation of the Company in connection with the listing of the shares of the Company on the Stock Exchange (the “Reorganisation”), the Company became the holding company of the companies now comprising the Group on 30 April 2019. Details of the Reorganisation are set out in the section headed “History, Reorganisation and Corporate structure” in the listing document of the Company dated 3 June 2019 (the “Listing Document”).

In the opinion of the directors (the “Directors”), as at 31 December 2021, the immediate holding company and ultimate holding company of the Company is Wellmass International Limited (“Wellmass”), a company incorporated in the British Virgin Islands (the “BVI”).

## 1. CORPORATE AND GROUP INFORMATION (continued)

### Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Company name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Topspan Holdings Limited	BVI	US\$1	100	—	Investment holding
Botny Corporation Limited	Hong Kong	HK\$1,001	—	100	Trading of aerosol and non-aerosol products
Super Sight International Investment Limited	BVI	US\$1	—	100	Investment holding
Guangzhou Botny Chemical Co., Ltd. ("Botny Chemical") (廣州保賜利化工有限公司)*	PRC	US\$11,400,000	—	100	Content filling of aerosol cans, and production and sale of aerosol and non-aerosol products
Guangzhou Euro Asia Aerosol and Household Products Manufacture Co., Ltd. ("Euro Asia Aerosol") (廣州歐亞氣霧劑與日化用品製造有限公司)*	PRC	US\$3,000,000	—	100	Content filling of aerosol cans, and production and sale of aerosol and non-aerosol products

## 1. CORPORATE AND GROUP INFORMATION (continued)

### Information about subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

Company name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Botny Hongkong Co., Limited	Hong Kong	US\$100,000	—	100	Trading of aerosol and non-aerosol products
Guangzhou Shentian Woye Trading Co., Ltd. (“Guangzhou Shentian”) (廣州深田 沃業貿易有限公司)*	PRC	RMB10,000,000	—	100	Investment holding
Euro Asia Japan Co., Ltd. (株式会社ユー ロアジア・ジャパン)	Japan	JPY9,000,000	—	100	Trading of aerosol and non-aerosol products
China Medical Beauty Bio-Technology Company Limited (“China Medical Beauty”)	Hong Kong	HK\$10,000	—	100	Trading of aerosol and non-aerosol products
Precious Dragon Group Limited	Hong Kong	HK\$1,000	—	100	Investment holding and trading
Botny Marine Limited	Hong Kong	HK\$10,000	—	100	Investment holding
Precious Dragon Technology Thai Limited	Thailand	THB5,000,000	—	100	Content filling of aerosol cans, and production and sale of aerosol and non- aerosol products
Botny India Chemical Private Limited	India	INR500,000	—	70	Trading of aerosol and non-aerosol products

\* Botny Chemical, Euro Asia Aerosol and Guangzhou Shentian are registered as wholly-foreign-owned enterprises under PRC law.

## 2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) (which include all International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations) issued by the International Accounting Standards Board (the “IASB”), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

### 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, *Interest Rate Benchmark Reform - Phase 2*  
IFRS 4 and IFRS16

The nature and the impact of the revised IFRS is described below:

- (a) 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 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 amendments did not have any impact on the financial position and performance of the Group.

### 4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- a) Automotive beauty and maintenance products;
- b) Personal care products

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax from continuing operations except that interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, certain cash and cash equivalents, and other unallocated head office and corporate assets as these assets are managed on a group basis.

#### 4. OPERATING SEGMENT INFORMATION (continued)

Segment liabilities exclude certain interest-bearing bank and other borrowings (other than lease liabilities), amounts due to related parties, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

<b>Year ended 31 December 2021</b>	<b>Automotive beauty and maintenance products HK\$'000</b>	<b>Personal care products HK\$'000</b>	<b>Total HK\$'000</b>
<b>Segment revenue:</b> (note 5)			
External customers	522,973	87,377	610,350
Intersegment sales	583	—	583
	<hr/>	<hr/>	<hr/>
Total	523,556	87,377	610,933
	<hr/>	<hr/>	<hr/>
<i>Reconciliation:</i>			
Elimination of intersegment sales			(583)
			<hr/>
Revenue			610,350
			<hr/> <hr/>
Segment results	36,558	5,831	42,389
<i>Reconciliation:</i>			
Interest income			543
Corporate and other unallocated expenses			(11,664)
Finance costs			(2,759)
			<hr/>
Profit before tax			28,509
			<hr/> <hr/>

#### 4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2021	Automotive beauty and maintenance products HK\$'000	Personal care products HK\$'000	Total HK\$'000
<b>Segment assets</b>	<b>418,929</b>	<b>72,356</b>	<b>491,285</b>
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(36,300)
Corporate and other unallocated assets			<u>67,823</u>
Total assets			<u><u>522,808</u></u>
<b>Segment liabilities</b>	<b>196,866</b>	<b>51,202</b>	<b>248,068</b>
<i>Reconciliation:</i>			
Elimination of intersegment payables			(36,300)
Corporate and other unallocated liabilities			<u>64,709</u>
Total liabilities			<u><u>276,477</u></u>
<b>Other segment information:</b>			
Depreciation and amortisation	21,939	2,791	24,730
Capital expenditure*	77,725	12,041	89,766
Impairment losses/(reversals) on financial assets recognised in the statement of profit or loss and other comprehensive income	1,986	(1,848)	138
Write-down of inventories to net realisable value recognised in the statement of profit or loss and other comprehensive income	<u>1,731</u>	<u>1,348</u>	<u>3,079</u>

\* Capital expenditure consists of additions to property, plant and equipment.

#### 4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2020	Automotive beauty and maintenance products HK\$'000	Personal care products HK\$'000	Total HK\$'000
<b>Segment revenue:</b> (note 5)			
External customers	473,869	191,782	665,651
Intersegment sales	549	—	549
	<hr/>	<hr/>	<hr/>
Total	474,418	191,782	666,200
	<hr/>	<hr/>	<hr/>
<i>Reconciliation:</i>			
Elimination of intersegment sales			(549)
			<hr/>
Revenue			665,651
			<hr/> <hr/>
Segment results	60,071	47,167	107,238
<i>Reconciliation:</i>			
Interest income			666
Corporate and other unallocated expenses			(13,245)
Finance costs			(1,406)
			<hr/>
Profit before tax			93,253
			<hr/> <hr/>

#### 4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2020	Automotive beauty and maintenance products HK\$'000	Personal care products HK\$'000	Total HK\$'000
<b>Segment assets</b>	330,382	115,165	445,547
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(1,087)
Corporate and other unallocated assets			76,815
Total assets			<u>521,275</u>
<b>Segment liabilities</b>	196,346	93,912	290,258
<i>Reconciliation:</i>			
Elimination of intersegment payables			(1,087)
Corporate and other unallocated liabilities			6,380
Total liabilities			<u>295,551</u>
<b>Other segment information:</b>			
Depreciation and amortisation	21,733	967	22,700
Capital expenditure*	80,270	1,005	81,275
Impairment losses/(reversals) on financial assets recognised in the statement of profit or loss and other comprehensive income	(1,111)	5,221	4,110
Write-down of inventories to net realisable value recognised in the statement of profit or loss and other comprehensive income	721	979	1,700
	<u>721</u>	<u>979</u>	<u>1,700</u>

\* Capital expenditure consists of additions to property, plant and equipment.

#### 4. OPERATING SEGMENT INFORMATION (continued)

##### Geographical information

(a) Revenue from external customers

	2021 HK\$'000	2020 HK\$'000
Mainland China	462,252	424,185
Japan	89,764	110,207
Asia	30,932	76,061
Middle East	6,946	7,312
America	15,144	43,574
Others	5,312	4,312
	<u>610,350</u>	<u>665,651</u>

The revenue information above is based on the shipment destinations.

(b) Non-current assets

The non-current assets of the Group (excluding deferred tax assets) are substantially located in Mainland China and Thailand.

##### Information about major customers

No revenue from sales to any single customer amounted to 10% or more of the Group's revenue during the year.

#### 5. REVENUE, OTHER INCOME AND GAINS

##### Revenue

An analysis of revenue is as follows:

	2021 HK\$'000	2020 HK\$'000
Revenue from contracts with customers	<u>610,350</u>	<u>665,651</u>

## 5. REVENUE, OTHER INCOME AND GAINS (continued)

### Revenue (continued)

Revenue from contracts with customers

(a) Disaggregated revenue information

**For the year ended 31 December 2021**

<b>Segments</b>	<b>Automotive beauty and maintenance products HK\$'000</b>	<b>Personal care products HK\$'000</b>	<b>Total HK\$'000</b>
<b>Type of goods</b>			
Sale of products	<u>522,973</u>	<u>87,377</u>	<u>610,350</u>
<b>Geographical markets</b>			
Mainland China	402,983	59,269	462,252
Japan	89,764	—	89,764
Asia	7,789	23,143	30,932
Middle East	6,946	—	6,946
America	13,455	1,689	15,144
Others	<u>2,036</u>	<u>3,276</u>	<u>5,312</u>
Total revenue from contracts with customers	<u>522,973</u>	<u>87,377</u>	<u>610,350</u>
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	<u>522,973</u>	<u>87,377</u>	<u>610,350</u>

## 5. REVENUE, OTHER INCOME AND GAINS (continued)

### Revenue (continued)

Revenue from contracts with customers (continued)

(a) Disaggregated revenue information (continued)

For the year ended 31 December 2020

Segments	Automotive beauty and maintenance products HK\$'000	Personal care products HK\$'000	Total HK\$'000
<b>Type of goods</b>			
Sale of products	<u>473,869</u>	<u>191,782</u>	<u>665,651</u>
<b>Geographical markets</b>			
Mainland China	336,319	87,866	424,185
Japan	108,521	1,686	110,207
Asia	8,692	67,369	76,061
Middle East	7,312	—	7,312
America	9,328	34,246	43,574
Others	<u>3,697</u>	<u>615</u>	<u>4,312</u>
Total revenue from contracts with customers	<u>473,869</u>	<u>191,782</u>	<u>665,651</u>
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	<u>473,869</u>	<u>191,782</u>	<u>665,651</u>

## 5. REVENUE, OTHER INCOME AND GAINS (continued)

### Revenue (continued)

Revenue from contracts with customers (continued)

#### (a) Disaggregated revenue information (continued)

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2021 HK\$'000	2020 HK\$'000
Revenue recognised that was included in the contract liabilities at the beginning of the reporting period:		
Sale of products	<u>6,724</u>	<u>9,339</u>

#### (b) Performance obligations

Information about the Group's performance obligations is summarised below:

##### *Sale of products*

The performance obligation is satisfied upon delivery of the products and payment is generally due within 30 to 90 days from delivery, except for some customers, where payment in advance is normally required.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2021 HK\$'000	2020 HK\$'000
Amounts expected to be satisfied as revenue:		
Within one year	<u>10,030</u>	<u>6,724</u>

All the remaining performance obligations are expected to be satisfied within one year.

## 5. REVENUE, OTHER INCOME AND GAINS (continued)

### Other income and gains

	2021 HK\$'000	2020 HK\$'000
Sale of scrap materials	1,722	1,541
Bank interest income	543	666
Government grants:		
— Related to assets*	241	225
— Related to income**	6,084	4,780
Service income	2,305	2,120
Income from research and development design	2,527	5,217
Others	1,420	278
	<u>14,842</u>	<u>14,827</u>

\* The amount represents the subsidies for the production line of the content filling technical renovation program received from the local government. Government grants received for which the related expenditure has not yet been undertaken are included in deferred income in the consolidated statement of financial position. There are no unfulfilled conditions or contingencies relating to these grants.

\*\* Various government grants of HK\$6,084,000 (2020: HK\$4,780,000) represent cash receipts from and subsidies provided by the local government authorities to the Group as an encouragement for its technological innovation and overseas sales. There are no unfulfilled conditions or contingencies relating to these grants.

## 6. PROFIT BEFORE TAX

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

	Notes	2021 HK\$'000	2020 HK\$'000
Cost of inventories sold		453,256	442,135
Depreciation of property, plant and equipment	14	22,623	18,445
Depreciation of right-of-use assets		2,107	4,255
Auditor's remuneration		1,467	2,169
Research and development costs		25,618	21,371
Lease payments not included in the measurement of lease liabilities		439	487
Employee benefit expense (including directors' remuneration):			
Wages and salaries		50,521	45,908
Equity-settled share option expense		714	2,816
Pension scheme contributions		6,046	4,914
		<hr/>	<hr/>
		57,281	53,638
Exchange losses, net*		9,361	6,204
Loss on disposal of items of property, plant and equipment, net*		591	743
Impairment losses on financial assets	12	138	4,110
Write-down of inventories to net realisable value*		3,079	1,700

\* Included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Interest on bank loans wholly repayable within five years	<b>2,748</b>	1,331
Interest on lease liabilities	<b>11</b>	75
	<u><b>2,759</b></u>	<u>1,406</u>

## 8. INCOME TAX EXPENSES

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman and BVI, the Group is not subject to any tax in the Cayman and BVI, respectively.

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 year, 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 (2020: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%).

Pursuant to the PRC Income Tax Law and the respective regulations, subsidiaries of the Group operating in Mainland China are subject to Corporate Income Tax ("CIT") at a rate of 25% on the taxable income. Preferential tax treatment is available to the Group's operating subsidiary, Botny Chemical, since it was recognised as a high technology enterprises and was entitled to a preferential tax rate of 15% for the years of 2021 and 2020.

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Current – Mainland China	<b>7,563</b>	21,898
Current – Hong Kong	<b>3,256</b>	8,267
Deferred	<b>(326)</b>	(548)
	<u><b>10,493</b></u>	<u>29,617</u>

## 8. INCOME TAX EXPENSES (continued)

A reconciliation of the income tax expenses applicable to profit before tax using the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable tax rates to the effective tax rates, are as follows:

	2021		2020	
	HK\$'000	%	HK\$'000	%
Profit before tax	<u>28,509</u>		<u>93,253</u>	
Tax at the statutory tax rate	7,127	25.0	23,313	25.0
Entities subject to lower statutory income tax rates	(3,753)	(13.2)	(5,493)	(5.9)
Effect of withholding tax on distributable profits of the Group's PRC subsidiaries	(150)	(0.5)	872	0.9
Expenses not deductible for tax	1,020	3.6	426	0.5
Withholding income tax expense	3,381	11.9	7,974	8.6
Adjustment in respect of current tax of previous periods	(1,648)	(5.8)	(1,783)	(1.9)
Tax losses not recognised	<u>4,516</u>	<u>15.8</u>	<u>4,308</u>	<u>4.6</u>
Tax charge at the Group's effective tax rate	<u>10,493</u>	<u>36.8</u>	<u>29,617</u>	<u>31.8</u>

## 9. DIVIDENDS

	2021	2020
	HK\$'000	HK\$'000
Interim – HK0.36 cent (2020: HK2.00 cents) per ordinary share	842	4,672
Proposed final – HK0.94 cent (2020: HK2.45 cents) per ordinary share	<u>2,199</u>	<u>5,722</u>
	<u>3,041</u>	<u>10,394</u>

The proposed final dividend on ordinary shares is subject to approval at the annual general meeting and was not recognised as a liability as at 31 December 2021.

## 10. 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 year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 233,802,085 (2020: 233,544,750) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year 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 year, 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:

	2021 HK\$'000	2020 HK\$'000
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	<u>18,093</u>	<u>53,161</u>
<b>Number of shares</b>		
	2021	2020
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	233,802,085	233,544,750
Effect of dilution – weighted average number of ordinary shares:		
Share options	<u>2,254,208</u>	<u>—</u>
	<u>236,056,293</u>	<u>233,544,750</u>

## 11. INVENTORIES

	2021 HK\$'000	2020 HK\$'000
Raw materials	17,846	18,688
Work in progress	2,376	2,124
Finished goods	<u>34,545</u>	<u>35,562</u>
	<u>54,767</u>	<u>56,374</u>

At 31 December 2021, the amount of inventories is net of a write-down of approximately HK\$7,907,000 (2020: HK\$4,629,000).

## 12. TRADE AND BILLS RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Trade receivables	45,670	50,116
Impairment	(9,278)	(10,258)
	<hr/>	<hr/>
Trade receivables, net	36,392	39,858
Bills receivable	1,704	624
	<hr/>	<hr/>
	<b>38,096</b>	<b>40,482</b>
	<hr/> <hr/>	<hr/> <hr/>

The Group requires most of its customers to make payments in advance, however, the Group grants certain credit periods to those customers with good payment history. The credit period for specific customers is considered on a case-by-case basis and set out in the sales contracts, as appropriate.

The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade receivables are non-interest-bearing, and the carrying amounts of the trade and bills receivables approximate to their fair values.

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

	2021 HK\$'000	2020 HK\$'000
Within 30 days	24,069	19,809
31 to 60 days	4,776	11,390
61 to 90 days	2,825	1,949
Over 90 days	4,722	6,710
	<hr/>	<hr/>
	<b>36,392</b>	<b>39,858</b>
	<hr/> <hr/>	<hr/> <hr/>

## 12. TRADE AND BILLS RECEIVABLES (continued)

The movements in the loss allowance for impairment of trade receivables are as follows:

	2021 HK\$'000	2020 HK\$'000
At beginning of year	10,258	5,854
Impairment losses, net (note 6)	138	4,110
Amount written off as uncollectible	(1,429)	—
Exchange realignment	311	294
	<u>9,278</u>	<u>10,258</u>
At end of year	<u>9,278</u>	<u>10,258</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses (ECLs). The provision rates are based on the invoice date for groupings of various customer segments with similar loss patterns (i.e., ageing of the balances and recent historical payment patterns). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecast of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	Ageing				Total
	1 to 30 days	31 to 60 days	61 to 90 days	Over 90 days	
<b>As at 31 December 2021</b>					
Expected credit loss rate	0.16%	1.98%	13.59%	64.82%	20.32%
Gross carrying amount (HK\$'000)	24,108	4,872	3,269	13,421	45,670
Expected credit losses (HK\$'000)	39	96	444	8,699	9,278
<b>As at 31 December 2020</b>					
Expected credit loss rate	0.07%	2.97%	8.97%	59.12%	20.47%
Gross carrying amount (HK\$'000)	19,823	11,739	2,141	16,413	50,116
Expected credit losses (HK\$'000)	14	349	192	9,703	10,258

### 13. TRADE AND BILLS PAYABLES

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

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Within 30 days	<b>30,741</b>	32,145
31 to 60 days	<b>13,508</b>	11,019
61 to 90 days	<b>15,871</b>	8,973
Over 90 days	<b>1,746</b>	1,136
	<u><b>61,866</b></u>	<u>53,273</u>

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days.

## 14. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Plant and machinery HK\$'000	Office and other equipment HK\$'000	Motor vehicles and yacht HK\$'000	Land HK\$'000	Construction in progress HK\$'000	Total HK\$'000
<b>31 December 2021</b>							
At 1 January 2021:							
Cost	115,376	51,862	17,011	55,625	26,019	12,819	278,712
Accumulated depreciation	(62,538)	(31,986)	(11,051)	(9,457)	—	—	(115,032)
Net carrying amount	<u>52,838</u>	<u>19,876</u>	<u>5,960</u>	<u>46,168</u>	<u>26,019</u>	<u>12,819</u>	<u>163,680</u>
At 1 January 2021, net of accumulated depreciation							
	52,838	19,876	5,960	46,168	26,019	12,819	163,680
Additions	1,423	18,056	481	215	—	69,591	89,766
Disposals	—	(587)	(40)	—	—	—	(627)
Depreciation provided during the year (note 6)	(7,206)	(7,244)	(1,616)	(6,557)	—	—	(22,623)
Exchange realignment	1,545	502	107	235	(2,332)	(576)	(519)
At 31 December 2021, net of accumulated depreciation	<u>48,600</u>	<u>30,603</u>	<u>4,892</u>	<u>40,061</u>	<u>23,687</u>	<u>81,834</u>	<u>229,677</u>
At 31 December 2021:							
Cost	120,447	67,830	17,779	56,283	23,687	81,834	367,860
Accumulated depreciation	(71,847)	(37,227)	(12,887)	(16,222)	—	—	(138,183)
Net carrying amount	<u>48,600</u>	<u>30,603</u>	<u>4,892</u>	<u>40,061</u>	<u>23,687</u>	<u>81,834</u>	<u>229,677</u>

#### 14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings HK\$'000	Plant and machinery HK\$'000	Office and other equipment HK\$'000	Motor vehicles and yacht HK\$'000	Land HK\$'000	Construction in progress HK\$'000	Total HK\$'000
31 December 2020							
At 1 January 2020:							
Cost	106,549	46,129	15,595	17,711	—	4,298	190,282
Accumulated depreciation	(51,453)	(29,208)	(9,488)	(3,934)	—	—	(94,083)
Net carrying amount	<u>55,096</u>	<u>16,921</u>	<u>6,107</u>	<u>13,777</u>	<u>—</u>	<u>4,298</u>	<u>96,199</u>
At 1 January 2020, net of accumulated depreciation	55,096	16,921	6,107	13,777	—	4,298	96,199
Additions	2,192	6,129	1,097	37,584	26,019	8,254	81,275
Disposals	—	(705)	(79)	(48)	—	—	(832)
Depreciation provided during the year (note 6)	(7,457)	(3,831)	(1,525)	(5,632)	—	—	(18,445)
Exchange realignment	3,007	1,362	360	487	—	267	5,483
At 31 December 2020, net of accumulated depreciation	<u>52,838</u>	<u>19,876</u>	<u>5,960</u>	<u>46,168</u>	<u>26,019</u>	<u>12,819</u>	<u>163,680</u>
At 31 December 2020:							
Cost	115,376	51,862	17,011	55,625	26,019	12,819	278,712
Accumulated depreciation	(62,538)	(31,986)	(11,051)	(9,457)	—	—	(115,032)
Net carrying amount	<u>52,838</u>	<u>19,876</u>	<u>5,960</u>	<u>46,168</u>	<u>26,019</u>	<u>12,819</u>	<u>163,680</u>

The Group's buildings and construction in progress are located in Mainland China and Thailand, respectively.

Certain of the Group's interest-bearing bank borrowings were secured by the Group's buildings with a carrying value of HK\$ 40,452,000 as at 31 December 2021 (2020: HK\$ 43,720,000) (note 15).

## 15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2021			2020		
	Contractual interest rate	Maturity	HK\$'000	Contractual interest rate	Maturity	HK\$'000
<b>Current</b>						
Lease liabilities	1%~5.125%	2022	262	1%~5.125%	2021	779
Bank loans – secured	HIBOR+2.25% /LPR-0.40%	2022	30,064	PBOC base rate -1.55% /HIBOR+2.25%	2021	52,826
Current portion of long term bank loans – secured	HIBOR+1.30%~ 2.25% /LPR+0.05%	2022	28,981	HIBOR+1.7%	2021	15,000
			59,307			68,605
<b>Non-current</b>						
Lease liabilities	1%~5.125%	2023	78	1%~5.125%	2022	178
Long term bank loans – secured	HIBOR+1.30% /LPR+0.05%	2023	30,516			—
Long term bank loans – secured	HIBOR+2.25%	2025	30,470			—
			61,064			178
			120,371			68,783

Notes:

“HIBOR” stands for the three-month Hong Kong Interbank Offered Rate in the Hong Kong Dollar Interbank Market at or at about 11 am (Hong Kong time).

“PBOC” stands for the People’s Bank of China (中國人民銀行), the central bank of China.

“LPR” stands for the Loan Prime Rate designated by the People’s Bank of China (中國人民銀行).

## 15. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

	2021 HK\$'000	2020 HK\$'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	59,045	67,826
In the second year	30,516	—
In the third to fifth years, inclusive	30,470	—
	<u>120,031</u>	<u>67,826</u>
Other borrowings repayable:		
Within one year or on demand	262	779
In the second year	78	178
	<u>340</u>	<u>957</u>

The above secured bank loans and unutilised bank facilities were secured by certain of the Group's assets and their carrying values are as follows:

	Note	2021 HK\$'000	2020 HK\$'000
Pledged bank deposits		15,000	—
Property, plant and equipment	14	40,452	43,720
Leasehold land		57,715	57,218
		<u>113,167</u>	<u>100,938</u>

	2021 HK\$'000	2020 HK\$'000
Interest-bearing bank borrowings denominated in:		
– RMB	49,031	44,826
– HK\$	71,000	23,000
	<u>120,031</u>	<u>67,826</u>

The Group has the following undrawn banking facilities:

	2021 HK\$'000	2020 HK\$'000
Floating rate		
– to expire within one year	146,074	108,640
– to expire after one year	114,611	—
	<u>260,685</u>	<u>108,640</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS OVERVIEW

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, sanitizer 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 Reporting Period, 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 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 skyrocket, 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 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 skyrocket, 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 will be scheduled to produce in the first half of 2022.

## **FINANCIAL REVIEW**

### **Turnover**

For the Reporting Period, the Group's recorded a turnover of approximately HK\$610.4 million (2020: approximately HK\$665.7 million), representing a decrease of approximately 8.3% as compared to the corresponding period of 2020.

### **Automotive beauty and maintenance products segment**

For the Reporting Period, the Group's automotive beauty and maintenance products segment has recorded a turnover of approximately HK\$523.0 million (2020: approximately HK\$473.9 million), representing an increase of approximately 10.4% as compared to the corresponding period of 2020. The increase in segment revenue was mainly due to demand recovery of automotive beauty and maintenance products in PRC market comparing to temporarily lockdowns and reduction of economic activities in PRC market due to COVID-19 in 2020.

### **Personal care products segment**

For the Reporting Period, the Group's personal care products segment has generated revenue amounting to approximately HK\$87.4 million (2020: approximately HK\$191.8 million), representing a significant decrease of approximately 54.4% as compared to the corresponding period of 2020. The significant decrease in segment revenue was mainly due to significant increase in sea freight costs and longer docking time under the ongoing COVID-19 pandemic, which have negative impact on overseas sales of personal care products.

### **Cost of Sales**

For the Reporting Period, cost of sales of the Group amounted to approximately HK\$453.3 million (2020: approximately HK\$442.1 million), which represented approximately 74.3% (2020: approximately 66.4%) of the turnover in the period. There was an increase of approximately 2.5% in the 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\$157.1 million (2020: approximately HK\$223.5 million), representing a significant decrease of approximately 29.7% 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 mainly 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 consisted of sales of scrap materials, bank interest income, income from provision of research and development services and government grants. During the period, other income and gains of the Group remained stable at approximately HK\$14.8 million (2020: approximately HK\$14.8 million) which was mainly due to the net effect of (i) the increase of sales of scrap materials of approximately HK\$0.2 million; (ii) the increase of government grants of approximately HK\$1.3 million; (iii) the increase of other miscellaneous income of approximately HK\$1.1 million; and (iv) the decrease in income from the provision of research and development design of approximately HK\$2.7 million.

## **Selling and Distribution Expenses**

Selling and distribution expenses mainly consisted 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 Reporting Period, selling and distribution expenses were approximately HK\$46.4 million (2020: approximately HK\$49.9 million), representing a decrease of approximately 7.1% as compared to the corresponding period of 2020. The decrease was primarily due to the net effect of (i) the increase in transportation expenses; (ii) the decrease in advertising expenses; and (iii) the increase in travelling expenses due to comply with the guidance of anti-epidemic measures.

## **Administrative Expenses**

Administrative expenses mainly represented 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 Reporting Period, administrative expenses were approximately HK\$54.3 million (2020: approximately HK\$56.1 million), representing an decrease of approximately 3.2% as compared to the corresponding period of 2020. The decrease in administrative expenses was primarily due to the net effect of (i) the increase in staff salaries and welfare to approximately HK\$13.8 million (2020: approximately HK\$11.9 million); (ii) the decrease in maintenance costs to approximately HK\$2.6 million (2020: approximately HK\$4.1 million); (iii) the decrease in depreciation expenses to approximately HK\$7.8 million (2020: approximately HK\$9.5 million); (iv) the decrease in share option expenses to approximately HK\$0.3 million (2020: approximately HK\$1.7 million); and (v) the decrease in professional fees, consulting fee and related costs incurred for listing to approximately HK\$6.5 million (2020: approximately HK\$9.2 million).

## **Net Profit**

The Group's net profit amounted to approximately HK\$18.0 million for the Reporting Period (2020: approximately HK\$63.6 million), representing a significant decrease of approximately 71.7% as compared to the corresponding period in 2020. Significant decrease in net profit 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 impact 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 31 December 2021, the Group had net current assets of approximately HK\$45.2 million (31 December 2020: approximately HK\$45.1 million). The Group's cash and cash equivalents and pledged bank deposits amounted to approximately HK\$110.1 million as at 31 December 2021 (31 December 2020: approximately HK\$165.9 million) which are mainly denominated in Renminbi, United States dollars, Japanese yen, Hong Kong dollars, Thailand Baht, and Indian Rupee. The current ratio of the Group was approximately 1.3 times as at 31 December 2021 (31 December 2020: approximately 1.2 times).

### **Borrowings and the Pledge of Assets**

The bank borrowings of the Group, which were secured by our properties, plant and equipment and land use rights amounted to approximately HK\$120.0 million as at 31 December 2021 with maturity ranged from 2022 to 2025 (31 December 2020: approximately HK\$67.8 million). All borrowings are charged with reference to bank's preferential floating rates and HIBOR.

As at 31 December 2021, we had available unutilized banking facilities of approximately HK\$260.7 million (31 December 2020: approximately 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 net debt by equity attributable to owners of the Company and net debt, amounted to approximately 35.4% as at 31 December 2021 (31 December 2020: approximately 31.3%).

### **Contingent Liabilities**

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

### **Contractual Obligations**

As at 31 December 2021, the Group's capital commitment represented the commitment of plant and machinery. As at 31 December 2021, the Group had commitment of plant and machinery of approximately HK\$8.8 million (31 December 2020: approximately HK\$5.9 million).

## **CAPITAL STRUCTURE**

As at 31 December 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 24.3% of the Group’s revenue for the Reporting Period were denominated in the United States dollar (“US\$”). However, over 90% of the production costs were conducted 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 year ended 31 December 2021, we did not enter into any foreign currency forward contracts or have any outstanding foreign currency forward contracts.

## **EMPLOYEES AND EMOLUMENTS POLICY**

As at 31 December 2021, the Group had a workforce of 513 employees (31 December 2020: 511 employees). The staff costs, including directors’ emoluments but excluding any contributions to the pension scheme, were approximately HK\$51.2 million for the Reporting Period (2020: approximately HK\$48.7 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 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 have been determined with reference to the skills, knowledge, 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 Reporting Period.

## **SIGNIFICANT INVESTMENTS**

As at 31 December 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. The Factory will be commenced production in first half of 2022.

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 Reporting Period, the Group had no acquisition or disposal of subsidiaries, associates or joint ventures.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Save as disclosed herein and 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 31 December 2021.

## **CORPORATE GOVERNANCE PRACTICES**

The Company has adopted and complied with the code provisions set out in the Corporate Governance Code as set out in Appendix 14 (the “CG Code”) to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) during the Reporting Period except code provision C.2.1 of the CG Code.

Pursuant to code provision C.2.1 of the CG Code, the roles of chairlady and chief executive should be separate and should not be performed by the same individual. As the duties of chairlady and chief executive of the Company are performed by Ms. Ko Sau Mee (“Mrs. Lin”), the Company has deviated from the CG Code. The Board believes that it is necessary to vest the roles of chairlady and chief executive in the same person due to its unique role, Mrs. Lin’s experience and established market reputation in the industry, and the importance of Mrs. Lin in the strategic development of the Company. The dual role arrangement provides strong and consistent market leadership and is critical for efficient business planning and decision making of the Company. As all major decisions are made in consultation with the members of the Board, and there are three independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board will also continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

## **AUDIT COMMITTEE**

The Audit Committee was established on 27 May 2019 with terms of reference in compliance with the CG Code to the Listing Rules for the purpose of making recommendations to the Board on the appointment and removal of the external auditors, reviewing the financial statements and related materials and providing advice in respect of the financial reporting process, and overseeing the risk management and internal control systems of the Group. The Audit Committee 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 Reporting Period had been reviewed by the Audit Committee. The financial results of the Group for the Reporting Period have also been audited by Ernst & Young, the external auditor of the Group.

## **REMUNERATION COMMITTEE**

The remuneration committee of the Company (the “Remuneration Committee”) was established on 27 May 2019, with specific written terms of reference for making recommendations to the Board regarding the Group’s policy and structure for all remuneration of Directors and senior management and approving the remuneration package of the individual executive Directors, the specific duties set out in code provisions E.1.2(a) to (h) of the CG Code. The Remuneration Committee comprises a total of four members, being one executive Director, namely, Ms. Ko Sau Mee and three independent non-executive Directors, namely, Mr. Pang Cheung Wai, Thomas (Chairman), Mr. Lee Yiu Pui and Mr. Poon Tak Ching. Accordingly, a majority of the members are independent non-executive Directors.

## **NOMINATION COMMITTEE**

The nomination committee of the Company (the “Nomination Committee”) was established on 27 May 2019, with specific written terms of reference in compliance with the CG Code for reviewing the Board composition, developing the relevant procedures for nomination and appointment of Directors and assessing the independence of the independent non-executive Directors to ensure that the Board has a balance of expertise, skills and experience and formulating succession plans for executive Directors and senior executives. The Nomination Committee comprises a total of four members, being one executive Director, namely, Ms. Ko Sau Mee, and three independent non-executive Directors, namely, Mr. Lee Yiu Pui (Chairman), Mr. Poon Tak Ching and Mr. Pang Cheung Wai, Thomas. Accordingly, a majority of the members are independent non-executive Directors.

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

During the Reporting Period, 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 Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

## **DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding the Directors’ Securities transactions. Specific enquiries have been made with all the Directors and they have confirmed that they have complied with the Model Code throughout the Reporting Period.

## **EVENTS AFTER THE REPORTING PERIOD**

There were no significant events after 31 December 2021 and up to the date of this announcement.

## **FINAL DIVIDEND**

The Board recommends the payment of a final dividend of HK0.94 cent per Share for the year ended 31 December 2021 (2020: HK2.45 cents per Share) to be payable to the shareholders of the Company whose names appear on the register of members of the Company as at 25 May 2022, subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company (the “AGM”) to be held on 12 May 2022. The final dividend will be payable on or before 15 June 2022.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 6 May 2022 to 12 May 2022, both days inclusive, during which period no transfers of Shares shall be effected. In order to qualify for attending the forthcoming AGM, 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 5 May 2022.

The register of members of the Company will be closed from 23 May 2022 to 25 May 2022, both days inclusive, during which period no transfers of Shares shall be effected. In order to qualify for the final 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 the above address for registration not later than 4:30 p.m. on 20 May 2022.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This annual results announcement will be 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 annual report of the Company for the year ended 31 December 2021 will be dispatched to the Shareholders 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, 22 March 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*