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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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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 2023, together with the comparative figures for the six months ended 30 June 2022. 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 2023

	Notes	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
REVENUE	3	266,237	273,025
Cost of sales		<u>(180,462)</u>	<u>(202,625)</u>
Gross profit		85,775	70,400
Other income and gains		2,235	2,730
Selling and distribution expenses		(16,804)	(17,975)
Administrative expenses		(24,454)	(22,320)
Research and development expenses		(9,720)	(9,015)
Reversal of/(provision for) impairment losses on financial assets, net		221	(1,327)
Other expenses		(1,125)	(3,302)
Finance costs		<u>(1,439)</u>	<u>(1,936)</u>
PROFIT BEFORE TAX	4	34,689	17,255
Income tax expense	5	<u>(7,981)</u>	<u>(4,120)</u>
PROFIT FOR THE PERIOD		<u>26,708</u>	<u>13,135</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>(9,998)</u>	<u>(9,153)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>16,710</u>	<u>3,982</u>

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

For the six months ended 30 June 2023

	Notes	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Profit attributable to:			
Owners of the parent		26,733	13,179
Non-controlling interests		(25)	(44)
		<u>26,708</u>	<u>13,135</u>
Total comprehensive income attributable to:			
Owners of the parent		16,738	4,013
Non-controlling interests		(28)	(31)
		<u>16,710</u>	<u>3,982</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	7		
– For profit for the period		<u>HK11.4 cents</u>	<u>HK5.6 cents</u>
Diluted			
– For profit for the period		<u>HK11.4 cents</u>	<u>HK5.6 cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	30 June 2023	31 December 2022
		HK\$'000	HK\$'000
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		221,084	228,647
Right-of-use assets		49,110	52,203
Deferred tax assets		3,577	4,094
		<hr/>	<hr/>
Total non-current assets		273,771	284,944
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		48,359	50,682
Trade and bills receivables	8	32,447	29,721
Prepayments, deposits and other receivables		7,283	16,437
Restricted cash		5,134	241
Pledged bank deposits		2,437	1,791
Cash and cash equivalents		110,897	91,392
		<hr/>	<hr/>
Total current assets		206,557	190,264
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade and bills payables	9	52,859	51,936
Other payables and accruals		49,789	57,682
Interest-bearing bank and other borrowings		26,507	16,043
Tax payable		4,979	6,101
Deferred income		216	226
		<hr/>	<hr/>
Total current liabilities		134,350	131,988
		<hr/>	<hr/>
NET CURRENT ASSETS		72,207	58,276
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		345,978	343,220
		<hr/>	<hr/>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	30 June	31 December
	2023	2022
Notes	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
NON-CURRENT LIABILITIES		
Due to a related party	33,400	35,400
Interest-bearing bank and other borrowings	29,336	34,895
Deferred tax liabilities	4,206	4,146
Deferred income	972	1,132
	<hr/>	<hr/>
Total non-current liabilities	67,914	75,573
	<hr/>	<hr/>
NET ASSETS	278,064	267,647
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the parent		
Share capital	2,339	2,339
Other reserves	275,981	265,536
	<hr/>	<hr/>
	278,320	267,875
Non-controlling interests	(256)	(228)
	<hr/>	<hr/>
Total equity	278,064	267,647
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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 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 2022.

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 2022, except for the adoption of the following new and revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:

- (a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

3. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue from contracts with customers	<u>266,237</u>	<u>273,025</u>

Disaggregated revenue information

For the six months ended 30 June 2023

Segments	Automotive beauty and maintenance products HK\$'000 (Unaudited)	Personal care products HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Type of goods			
Sale of products	<u>208,788</u>	<u>57,449</u>	<u>266,237</u>

Geographical markets

Mainland China	172,043	47,911	219,954
Japan	29,631	—	29,631
Asia	2,312	5,599	7,911
Middle East	2,988	—	2,988
America	1,588	2,590	4,178
Others	226	1,349	1,575

Total revenue from contracts with customers	<u>208,788</u>	<u>57,449</u>	<u>266,237</u>
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Timing of revenue recognition

Goods transferred at a point in time	<u>208,788</u>	<u>57,449</u>	<u>266,237</u>
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3. REVENUE (Continued)

Disaggregated revenue information (Continued)

For the six months ended 30 June 2022

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

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	180,462	202,625
Depreciation of property, plant and equipment	11,763	10,366
Depreciation of right-of-use assets	752	899
Research and development costs	9,720	9,015
Lease payments not included in the measurement of lease liabilities	40	171
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	20,223	21,712
Pension scheme contributions	1,879	3,152
	<u>22,102</u>	<u>24,864</u>
Exchange losses, net	920	3,104
(Gain)/loss on disposal of items of property, plant and equipment, net	(95)	17
(Reversal of)/Provision for impairment losses on financial assets	(221)	1,327
Write-down of inventories to net realisable value	43	—
	<u>43</u>	<u>—</u>

5. INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2022: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	For the six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current – Mainland China	7,571	4,296
Deferred	410	(176)
	<u>7,981</u>	<u>4,120</u>

6. DIVIDENDS

	For the six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Proposed interim – HK1.72 cents (2022: HK0.83 cent) per ordinary share	<u>4,023</u>	<u>1,942</u>

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 233,917,250 (2022: 233,917,250) in issue during the period, as adjusted to reflect the rights issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2023 and 2022 in respect of a dilution as the impact of the share option outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

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

	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	<u>26,733</u>	<u>13,179</u>
Number of shares		
	2023	2022
Shares		
Weighted average number of ordinary shares in issue used in the basic earnings per share calculation	<u>233,917,250</u>	<u>233,917,250</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:

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Within 30 days	20,033	12,711
31 to 60 days	7,581	8,042
61 to 90 days	1,916	4,529
Over 90 days	2,917	4,439
	<u>32,447</u>	<u>29,721</u>

9. TRADE AND BILLS PAYABLES

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

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Within 30 days	27,926	25,025
31 to 60 days	10,870	7,351
61 to 90 days	6,762	11,104
Over 90 days	7,301	8,456
	<u>52,859</u>	<u>51,936</u>

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, “保賜利京東自營旗艦店” at JD.com, and other online sales platform.

During the period ended 30 June 2023, the Group continued to allocate resources to further develop the OBM business. The Group enhanced the brand recognition activities, including sponsorship in exhibitions, public relation events and multi-media platforms in order to promote the corporate image and brands to new potential and existing customers. The Group recorded a significant growth in online markets sales which reflects the strategy of continuing to implement the e-commerce strategies in PRC. We have launched the series of automotive beauty and maintenance products, 保寶龍, under our BOTNY (保賜利) brand for the repositioning of our corporate image and for broadening our clientele. We believe in the growth potential of our products under our new 保寶龍 series, as it takes time to establish a new line of products, we expect the other products under our BOTNY (保賜利) brand to remain our main revenue driver in the near future.

OPERATING ENVIRONMENT AND PROSPECTS

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

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

To ease the impact of trade protectionism, such as Sino-US trade war, and enhance the manufacturing cost efficiency, the Company strategically acquired a land in Thailand in July 2020 for setting up a new production plant to diversify the production base overseas. The new production plant is expected to be operational by the end of 2023.

FINANCIAL REVIEW

Turnover

For the six months ended 30 June 2023, the Group’s recorded a turnover of approximately HK\$266.2 million (six months ended 30 June 2022: approximately HK\$273.0 million), representing a decrease of approximately 2.5% as compared to the corresponding period of 2022.

For the six months ended 30 June 2023, the Group generated revenue of approximately HK\$220.0 million (six months ended 30 June 2022: approximately HK\$209.7 million) from PRC customers, representing a slight increase of approximately 4.9% as compared to the corresponding period of 2022. The increase in PRC sales was mainly caused by the negative impacts on sales caused by the short term locked-down in various provinces of PRC in the first half of 2022 and execution of effective sales strategies of OBM products.

For the six months ended 30 June 2023, the Group recorded revenue from overseas customers of approximately HK\$46.3 million (six months ended 30 June 2022: approximately HK\$63.3 million). The significant decrease in overseas sales was mainly caused by the effect of the global economic slowdown as a result of the prolonged COVID-19 pandemic which drove portions of overseas customers shifted the orders to overseas competitors.

Cost of Sales

For the six months ended 30 June 2023, cost of sales of the Group amounted to approximately HK\$180.5 million (six months ended 30 June 2022: HK\$202.6 million), which represented approximately 67.8% (six months ended 30 June 2022: approximately 74.2%) of the turnover in the period. There was a decrease of approximately 10.9% in percentage of cost of sales which was mainly attributable to the net effects of (i) the decrease in the cost of procurement of solvents, being the major raw materials for the production, which was caused by the decrease in crude oil price; (ii) variation of sales of products mix; and (iii) the increase in bargaining power against the suppliers.

Gross Profit and Gross Profit Margin

The Group recorded a gross profit amounted to approximately HK\$85.8 million for the six months ended 30 June 2023 (six months ended 30 June 2022: approximately HK\$70.4 million), representing an increase of approximately 21.8% as compared to the corresponding period of 2022. The increase in gross profit was mainly driven by the effects of (i) the decrease in the cost of procurement of solvents; (ii) the increase in bargaining power against the suppliers; and (iii) the concentration on the sales strategies of high profit margin products.

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 2023, other income and gains of the Group was approximately HK\$2.2 million (six months ended 30 June 2022: approximately HK\$2.7 million), representing a decrease of 18.1%, which was mainly due to the net effects of (i) the decrease in government grants by approximately HK\$0.9 million, and (ii) the increase in interest income by approximately HK\$0.3 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 2023, selling and distribution expenses were approximately HK\$16.8 million (six months ended 30 June 2022: approximately HK\$18.0 million), representing a decrease of approximately 6.5% as compared to the corresponding period of 2022. The decrease was primarily due to the effects of (i) the decrease in oversea sales which caused less transportation costs incurred; (ii) the decrease in freight charges caused by the decrease in crude oil price; and (iii) the implementation of strict cost control measures to reduce the general expenses.

Administrative Expenses

Administrative expenses mainly represent staff salaries, 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 2023, administrative expenses were approximately HK\$24.5 million (six months ended 30 June 2022: approximately HK\$22.3 million), representing an increase of approximately 9.6% as compared to the corresponding period of 2022. The increase in administrative expenses was primarily due to the net effects (i) increase in depreciation of property, plant and equipment to approximately HK\$4.3 million (six months ended 30 June 2022: HK\$3.5 million); (ii) increase in entertainment expenses to approximately HK\$1.3 million (six months ended 30 June 2022: HK\$0.7 million); (iii) increase in general expenses caused by formation of new production plant located in Thailand.

Finance Costs

For the six months ended 30 June 2023, the finance costs of the Group were approximately HK\$1.4 million (six months ended 30 June 2022: approximately HK\$1.9 million), representing a decrease of approximately 25.7% as compared to the corresponding period of 2022. The decrease in finance cost was mainly due to the net effects of (i) decrease in average bank loan outstanding balance compared to corresponding period of 2022; and (ii) increase in overall bank borrowing interest rate.

Net Profit

The Group's net profit attributable to owners of the parent amounted to approximately HK\$26.7 million for the six months ended 30 June 2023 (six months ended 30 June 2022: approximately HK\$13.2 million), representing a significant increase of approximately 102.8% as compared to the corresponding period in 2022. Significant increase in net profit attributable to owners of the parent was mainly attributable to, among other things, (i) the decrease in the cost of procurement of solvents, being the major raw materials for the production, which was caused by the decrease in crude oil price; (ii) the increase in the Group's gross profit margin due to the increase in bargaining power against the suppliers; (iii) the concentration on the high profit margin products; (iv) the significantly decrease on transportation cost by the overall business environment; and (v) the implementation of strict cost control measures to reduce the selling and distribution costs and other expenses.

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 2023, the Group had net current assets of approximately HK\$72.2 million (31 December 2022: approximately HK\$58.3 million). The Group's cash and cash equivalents (including pledged bank deposits and restricted cash) amounted to HK\$118.5 million as at 30 June 2023 (31 December 2022: HK\$93.4 million) which are mainly denominated in Renminbi, United States dollars, Japanese yen, Thailand Baht, Hong Kong dollars and Indian Rupee. The current ratio of the Group was approximately 1.5 as at 30 June 2023 (31 December 2022: approximately 1.4).

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\$55.7 million as at 30 June 2023 with maturity ranged from 2023 to 2027 (31 December 2022: approximately HK\$50.8 million). All borrowings are charged with reference to Minimum Lending Rate, Loan Prime Rate and HIBOR.

As at 30 June 2023, we had available unutilized banking facilities of approximately HK\$205.4 million (31 December 2022: HK\$189.9 million).

Gearing Ratio

As a result of the increase in cash and cash equivalents and the increase in total borrowings of the Group, the gearing ratio which is calculated by dividing total debt by equity attributable to owners of the Company, amounted to approximately 16.3% as at 30 June 2023 (31 December 2022: approximately 23.4%).

CAPITAL STRUCTURE

As at 30 June 2023, the total number of issued shares of the Company (the “Shares”) was 233,917,250 (31 December 2022: 233,917,250).

FOREIGN EXCHANGE EXPOSURE AND EXCHANGE RATE RISK

Approximately 17.4% of the Group’s revenue for the six months ended 30 June 2023 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 2023, 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 2023, the Group had a workforce of 455 employees (31 December 2022: 466 employees). The staff costs, including directors' emoluments but excluding any contributions to the pension scheme, were approximately HK\$20.2 million for the six months ended 30 June 2023 (six months ended 30 June 2022: 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. Share options would be granted to certain eligible persons with outstanding performance and contributions to the Group. The emoluments of the directors of the Company (the "Directors") have been determined with reference to the skills, knowledge, and contribution in the Company's affairs and the performance of each Director, and to the profitability of the Company and prevailing market conditions during the six months ended 30 June 2023.

SIGNIFICANT INVESTMENTS

As at 30 June 2023, the Group did not have any significant investments (31 December 2022: nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended 30 June 2023, 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 2023.

CONTRACTUAL OBLIGATIONS

As at 30 June 2023, the Group's capital commitments approximately amounted to HK\$2.4 million representing the commitment of plant and machinery (31 December 2022: HK\$6.0 million).

CONTINGENT LIABILITIES

As at 30 June 2023, the Group had no significant contingent liabilities (31 December 2022: nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2023 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 2023 and up to the date of this report.

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 2023 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 2023 except the CG Code provision C.2.1.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding the Directors' securities transactions. All Directors have confirmed that, following specific enquiries made by the Company, they have complied with the required standards set out in the Model Code for the six months ended 30 June 2023.

DIVIDENDS

The Board has resolved to declare an interim dividend of HK1.72 cents per Share for the six months ended 30 June 2023 (six months ended 30 June 2022: HK0.83 cent per Share) to be payable on or around 31 October 2023 to the shareholders of the Company whose names appear on the register of members of the Company on 8 September 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 6 September 2023 to 8 September 2023, both days inclusive, during which period no transfers of Shares shall be effected. In order to qualify for the interim dividend, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 5 September 2023.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (<http://www.botny.com>). The interim report of the Company for the six months ended 30 June 2023 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, 22 August 2023

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*