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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 2024

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 2024, together with the comparative figures for the six months ended 30 June 2023. 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 2024

	Notes	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
REVENUE	3	274,248	266,237
Cost of sales		(183,802)	(180,462)
Gross profit		90,446	85,775
Other income and gains		8,816	2,235
Selling and distribution expenses		(23,464)	(16,804)
Administrative expenses		(23,051)	(24,454)
Research and development expenses		(10,772)	(9,720)
(Impairment)/reversal of impairment losses on financial assets, net		(698)	221
Other expenses		(6,373)	(1,125)
Finance costs		(986)	(1,439)
PROFIT BEFORE TAX	4	33,918	34,689
Income tax expenses	5	(9,940)	(7,981)
PROFIT FOR THE PERIOD		<u>23,978</u>	<u>26,708</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		(167)	(9,998)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>23,811</u>	<u>16,710</u>

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

For the six months ended 30 June 2024

	Notes	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Profit attributable to:			
Owners of the parent		23,978	26,733
Non-controlling interest		—	(25)
		<u>23,978</u>	<u>26,708</u>
Total comprehensive income attributable to:			
Owners of the parent		23,809	16,738
Non-controlling interest		2	(28)
		<u>23,811</u>	<u>16,710</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
	7		
Basic			
– For profit for the period		<u>HK10.3 cents</u>	<u>HK11.4 cents</u>
Diluted			
– For profit for the period		<u>HK10.3 cents</u>	<u>HK11.4 cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

	Notes	30 June 2024	31 December 2023
		HK\$'000	HK\$'000
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		214,389	225,239
Right-of-use assets		48,380	49,507
Deferred tax assets		4,269	4,076
		<hr/>	<hr/>
Total non-current assets		267,038	278,822
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		41,460	43,379
Trade and bills receivables	8	59,660	35,602
Prepayments, deposits and other receivables		6,473	7,283
Pledged bank deposits		2,071	11,948
Cash and cash equivalents		112,768	107,730
		<hr/>	<hr/>
Total current assets		222,432	205,942
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade and bills payables	9	46,345	53,803
Other payables and accruals		51,368	55,940
Interest-bearing bank and other borrowings		9,502	10,310
Tax payables		1,778	1,647
Deferred income		219	221
		<hr/>	<hr/>
Total current liabilities		109,212	121,921
		<hr/>	<hr/>
NET CURRENT ASSETS		113,220	84,021
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		380,258	362,843
		<hr/>	<hr/>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

	Notes	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
NON-CURRENT LIABILITIES			
Due to a related party		25,400	25,400
Interest-bearing bank and other borrowings		18,843	25,234
Deferred tax liabilities		3,509	3,398
Deferred income		767	883
		<hr/>	<hr/>
Total non-current liabilities		48,519	54,915
		<hr/>	<hr/>
NET ASSETS		331,739	307,928
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital		2,339	2,339
Other reserves		329,841	306,032
		<hr/>	<hr/>
		332,180	308,371
Non-controlling interests		(441)	(443)
		<hr/>	<hr/>
Total equity		331,739	307,928
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 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 2023.

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 2023, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IAS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the "2020 Amendments")
Amendments to IAS 1	<i>Non-current Liabilities with Covenants</i> (the "2022 Amendments")
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

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

- (a) Amendments to IAS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IAS 16, the amendments did not have any impact on the financial position or performance of the Group.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

3. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Revenue from contracts with customers	<u>274,248</u>	<u>266,237</u>

Disaggregated revenue information

For the six months ended 30 June 2024

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>209,847</u>	<u>64,401</u>	<u>274,248</u>
Geographical markets			
Chinese Mainland	167,783	54,888	222,671
Japan	31,087	—	31,087
Other countries/areas in Asia Pacific	3,186	4,514	7,700
Middle East	4,040	—	4,040
America	2,612	3,716	6,328
Others	1,139	1,283	2,422
Total revenue from contracts with customers	<u>209,847</u>	<u>64,401</u>	<u>274,248</u>
Timing of revenue recognition			
Goods transferred at a point in time	<u>209,847</u>	<u>64,401</u>	<u>274,248</u>

3. REVENUE (continued)

Disaggregated revenue information (continued)

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	208,788	57,449	266,237
Geographical markets			
Chinese Mainland	172,043	47,911	219,954
Japan	29,631	—	29,631
Other countries/areas in Asia Pacific	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>
Timing of revenue recognition			
Goods transferred at a point in time	<u>208,788</u>	<u>57,449</u>	<u>266,237</u>

4. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Cost of inventories sold	183,802	180,462
Depreciation of property, plant and equipment	12,381	11,763
Depreciation of right-of-use assets	763	752
Research and development costs	10,772	9,720
Lease payments not included in the measurement of lease liabilities	2	40
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	23,297	20,223
Pension scheme contributions	1,944	1,879
	<u>25,241</u>	<u>22,102</u>
Exchange losses, net	5,993	920
Loss/(gain) on disposal of items of property, plant and equipment, net	35	(95)
Impairment/(reversal of impairment) losses on financial assets	698	(221)
(Reversal of write-down of)/write-down of inventories to net realisable value	<u>(518)</u>	<u>43</u>

5. INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 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 (2023: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2023: 8.25%) and the remaining assessable profits are taxed at 16.5% (2023: 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	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current – Chinese Mainland		
Charge for the period	9,898	9,189
Underprovision/(overprovision) in prior years	153	(1,618)
Deferred	(111)	410
	<u>9,940</u>	<u>7,981</u>

6. DIVIDENDS

	For the six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Proposed interim – HK1.42 cents (2023: HK1.72 cents) per ordinary share	<u>3,322</u>	<u>4,023</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 (2023: 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 earning per share amounts presented for the six months ended 30 June 2024 and 2023 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:

	2024	2023
	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>23,978</u>	<u>26,733</u>
Number of shares		
	2024	2023
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 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Within 30 days	29,666	17,031
31 to 60 days	20,858	10,451
61 to 90 days	7,295	5,940
Over 90 days	1,841	2,180
	<u>59,660</u>	<u>35,602</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 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Within 30 days	22,217	25,399
31 to 60 days	13,216	9,815
61 to 90 days	8,092	8,612
Over 90 days	2,820	9,977
	<u>46,345</u>	<u>53,803</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 2024, 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, ongoing international conflicts, 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; and (iii) 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.

In the first half of 2024, PRC's economy showed steady growth and resilience, driven by significant growth in industrial production, favorable external demand and improved trade activities, and increasing in demand of service sector. However, the recovery remains fragile. The government of PRC has implemented several regulations to ensure the safety of aerosol products and reduce their impact on the environment. Meanwhile, consumers are becoming increasingly aware of the environmental impact of consumer products and are looking for alternatives that are less harmful to the environment. 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 exhibitions, improving existing OBM products' series with environmentally friendly formula, strictly controlling cost, lifting the brand image, and enhancing the competitiveness of products.

FINANCIAL REVIEW

Turnover

For the six months ended 30 June 2024, the Group's recorded a turnover of approximately HK\$274.2 million (six months ended 30 June 2023: approximately HK\$266.2 million), representing an increase of approximately 3.0% as compared to the corresponding period of 2023.

For the six months ended 30 June 2024, the Group generated revenue of approximately HK\$222.7 million (six months ended 30 June 2023: approximately HK\$220.0 million) from PRC customers, representing a slight increase of approximately 1.2% as compared to the corresponding period of 2023. The increase in PRC sales was mainly caused by steady recovery of PRC economy and execution of effective sales strategies of OBM products.

For the six months ended 30 June 2024, the Group recorded revenue from overseas customers of approximately HK\$51.6 million (six months ended 30 June 2023: approximately HK\$46.3 million), representing an increase of approximately 11.4% as compared to the corresponding period of 2023. The increase in overseas sales was mainly caused by the increased competitiveness of products driven by the depreciation of the RMB against the US dollar during the six months ended 30 June 2024.

Cost of Sales

For the six months ended 30 June 2024, cost of sales of the Group amounted to approximately HK\$183.8 million (six months ended 30 June 2023: HK\$180.5 million), which represented approximately 67.0% (six months ended 30 June 2023: approximately 67.8%) of the turnover in the period. There was an increase of approximately 1.9% in cost of sales which was mainly attributable to (i) increase in the sales volume of products; and (ii) variation of sales of products mix.

Gross Profit and Gross Profit Margin

The Group recorded a gross profit amounted to approximately HK\$90.4 million for the six months ended 30 June 2024 (six months ended 30 June 2023: approximately HK\$85.8 million), representing an increase of approximately 5.4% as compared to the corresponding period of 2023. The increase in gross profit was mainly driven by the effects of (i) the increase in bargaining power against the suppliers; and (ii) 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 promotion services and government grants. For the six months ended 30 June 2024, other income and gains of the Group was approximately HK\$8.8 million (six months ended 30 June 2023: approximately HK\$2.2 million), representing a significant increase of 294.5%, which was mainly due to the net effects of (i) increase in government grants by approximately HK\$2.7 million; (ii) increase in service income by approximately HK\$2.5 million; and (iii) increase in interest income by approximately HK\$0.6 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 2024, selling and distribution expenses were approximately HK\$23.5 million (six months ended 30 June 2023: approximately HK\$16.8 million), representing a significant increase of approximately 39.6% as compared to the corresponding period of 2023. The increase was primarily due to a rise in advertisement and promotion costs, amounting to approximately HK\$9.5 million (six months ended 30 June 2023: HK\$3.2 million) during the six months ended 30 June 2024, which were incurred to enhance the e-commerce platforms.

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 2024, administrative expenses were approximately HK\$23.1 million (six months ended 30 June 2023: approximately HK\$24.5 million), representing a decrease of approximately 5.7% as compared to the corresponding period of 2023. The decrease in administrative expenses was primarily due to the implementation of strict cost control measures to reduce the general expenses.

Finance Costs

For the six months ended 30 June 2024, the finance costs of the Group were approximately HK\$1.0 million (six months ended 30 June 2023: approximately HK\$1.4 million), representing a significant decrease of approximately 31.5% as compared to the corresponding period of 2023. The decrease in finance cost was mainly due to the decrease in average bank loan outstanding balance compared to corresponding period of 2023.

Net Profit

The Group's net profit attributable to owners of the parent amounted to approximately HK\$24.0 million for the six months ended 30 June 2024 (six months ended 30 June 2023: approximately HK\$26.7 million), representing a decrease of approximately 10.3% as compared to the corresponding period in 2023. The decrease in net profit attributable to owners of the parent was mainly attributable to, among other things, (i) the increase in the Group's gross profit margin due to the increase in bargaining power against the suppliers; (ii) the concentration on the high profit margin products; (iii) the significantly increase in selling and distribution expenses to enhance the e-commerce platforms; and (iv) the implementation of strict cost control measures to reduce the general 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 2024, the Group had net current assets of approximately HK\$113.2 million (31 December 2023: approximately HK\$84.0 million). The Group's cash and cash equivalents (including pledged bank deposits) amounted to HK\$114.8 million as at 30 June 2024 (31 December 2023: HK\$119.7 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 2.0 as at 30 June 2024 (31 December 2023: approximately 1.7).

Borrowings and the Pledge of Assets

The bank borrowings of the Group, which were secured by our property, plant and equipment and leasehold land, amounted to approximately HK\$28.2 million as at 30 June 2024 with maturity ranged from 2024 to 2027 (31 December 2023: approximately HK\$35.3 million). All borrowings are charged with reference to Minimum Lending Rate and Loan Prime Rate.

As at 30 June 2024, we had available unutilized banking facilities of approximately HK\$173.3 million (31 December 2023: HK\$351.4 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 5.1% as at 30 June 2024 (31 December 2023: approximately 8.0%).

CAPITAL STRUCTURE

As at 30 June 2024, the total number of issued shares of the Company (the “Shares”) was 233,917,250 (31 December 2023: 233,917,250).

FOREIGN EXCHANGE EXPOSURE AND EXCHANGE RATE RISK

Approximately 18.8% of the Group’s revenue for the six months ended 30 June 2024 were denominated in US\$. However, over 90% 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 2024, 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 2024, the Group had a workforce of 468 employees (31 December 2023: 459 employees). The staff costs, including directors’ emoluments but excluding any contributions to the pension scheme, were approximately HK\$23.3 million for the six months ended 30 June 2024 (six months ended 30 June 2023: approximately HK\$20.2 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 2024.

SIGNIFICANT INVESTMENTS

As at 30 June 2024, the Group did not have any significant investments (31 December 2023: nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended 30 June 2024, 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 2024.

CAPITAL COMMITMENTS

As at 30 June 2024, the Group's capital commitments approximately amounted to HK\$1.3 million representing the commitment of plant and machinery (31 December 2023: HK\$6.0 million).

CONTINGENT LIABILITIES

As at 30 June 2024, the Group had no significant contingent liabilities (31 December 2023: nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2024 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 2024 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 C1 (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 2024 and recommended its adoption by the Board.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the “Remuneration Committee”) was established on 27 May 2019 with specific written terms of reference in compliance with the CG Code for the purpose of 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 CG Code provisions E.1.2(a) to (h). 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 the purpose of reviewing the Board composition, developing the relevant procedures for nomination and appointment of Directors and assessing the independence of 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.

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 2024 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.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors’ knowledge, information and belief, the Company had maintained sufficient public float of not less than 25% of its total issued Shares as required under the Listing Rules for the six months ended 30 June 2024 and to the date of this report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix C3 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 2024.

DIVIDENDS

The Board has resolved to declare an interim dividend of HK1.42 cents per Share for the six months ended 30 June 2024 (six months ended 30 June 2023: HK1.72 cents per Share) to be payable on or around 29 October 2024 to the shareholders of the Company whose names appear on the register of members of the Company on 10 September 2024.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 5 September 2024 to 10 September 2024, 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 4 September 2024.

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 2024 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, 21 August 2024

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*