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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 2022

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 2022 (the “Reporting Period”), together with the comparative figures for the year ended 31 December 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
REVENUE	5	559,785	610,350
Cost of sales		(405,596)	(453,256)
Gross profit		154,189	157,094
Other income and gains	5	7,044	14,842
Selling and distribution expenses		(33,667)	(46,406)
Administrative expenses		(44,826)	(54,276)
Research and development expenses	6	(19,262)	(25,618)
Impairment losses on financial assets, net	6	(1,781)	(138)
Other expenses		(2,722)	(14,230)
Finance costs	7	(3,818)	(2,759)
PROFIT BEFORE TAX	6	55,157	28,509
Income tax expenses	8	(13,240)	(10,493)
PROFIT FOR THE YEAR		41,917	18,016
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(16,461)	7,663
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		25,456	25,679
Profit attributable to:			
Owners of the parent		41,996	18,093
Non-controlling interests		(79)	(77)
		41,917	18,016
Total comprehensive income attributable to:			
Owners of the parent		25,512	25,755
Non-controlling interests		(56)	(76)
		25,456	25,679
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	10	HK18.0 cents	HK7.7 cents
Diluted		HK18.0 cents	HK7.7 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	228,647	229,677
Right-of-use assets		52,203	58,251
Deferred tax assets		4,094	4,087
Non-current prepayments		—	9,530
		284,944	301,545
CURRENT ASSETS			
Inventories	11	50,682	54,767
Trade and bills receivables	12	29,721	38,096
Prepayments, deposits and other receivables		16,437	18,275
Restricted cash		241	—
Pledged bank deposits		1,791	19,774
Cash and cash equivalents		91,392	90,351
		190,264	221,263
CURRENT LIABILITIES			
Trade and bills payables	13	51,936	61,866
Other payables and accruals		57,682	52,137
Interest-bearing bank and other borrowings	15	16,043	59,307
Tax payable		6,101	2,496
Deferred income		226	245
		131,988	176,051
NET CURRENT ASSETS		58,276	45,212
TOTAL ASSETS LESS CURRENT LIABILITIES		343,220	346,757
NON-CURRENT LIABILITIES			
Due to a related party		35,400	35,400
Interest-bearing bank and other borrowings	15	34,895	61,064
Deferred tax liabilities		4,146	2,491
Deferred income		1,132	1,471
		75,573	100,426
Net assets		267,647	246,331

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2022

	2022 HK\$'000	2021 HK\$'000
EQUITY		
Equity attributable to owners of the parent		
Share capital	2,339	2,339
Reserves	<u>265,536</u>	<u>244,164</u>
	267,875	246,503
Non-controlling interests	<u>(228)</u>	<u>(172)</u>
Total equity	<u>267,647</u>	<u>246,331</u>

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 company. The registered address of the office of the Company is 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 2022, 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
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

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 %	
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	THB 110,000,000	—	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”), accounting principles generally accepted in Hong Kong 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 2022. 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).

Generally, there is a presumption that a majority of voting rights results in control. 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 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract</i>
<i>Annual Improvements to IFRS Standards 2018-2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

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

- (a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the “Conceptual Framework”) issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by IAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use, the amendments did not have any impact on the financial position or performance of the Group.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

- (c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to IFRS Standards 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:
- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

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 except that interest income, non-lease-related finance costs as well as head office and corporate expenses are excluded from such measurement.

4. OPERATING SEGMENT INFORMATION (continued)

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

Segment liabilities exclude certain interest-bearing bank and other borrowings (other than lease liabilities), amounts due to a related party, 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.

Year ended 31 December 2022	Automotive beauty and maintenance products HK\$'000	Personal care products HK\$'000	Total HK\$'000
Segment revenue: (note 5)			
External customers	457,755	102,030	559,785
Intersegment sales	2,307	—	2,307
	<hr/>	<hr/>	<hr/>
Total	460,062	102,030	562,092
	<hr/>	<hr/>	<hr/>
<i>Reconciliation:</i>			
Elimination of intersegment sales			(2,307)
			<hr/>
Revenue			559,785
			<hr/> <hr/>
Segment results	60,974	6,737	67,711
<i>Reconciliation:</i>			
Interest income			661
Corporate and other unallocated expenses			(9,400)
Finance costs (other than interest on lease liabilities)			(3,815)
			<hr/>
Profit before tax			55,157
			<hr/> <hr/>

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2022	Automotive beauty and maintenance products HK\$'000	Personal care products HK\$'000	Total HK\$'000
Segment assets	355,637	85,871	441,508
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(25,413)
Corporate and other unallocated assets			59,113
Total assets			<u>475,208</u>
Segment liabilities	100,270	74,074	174,344
<i>Reconciliation:</i>			
Elimination of intersegment payables			25,413
Corporate and other unallocated liabilities			7,804
Total liabilities			<u>207,561</u>
Other segment information:			
Depreciation and amortisation	20,987	3,370	24,357
Capital expenditure*	29,967	616	30,583
Impairment losses/(reversals) on financial assets recognised in the statement of profit or loss and other comprehensive income	(290)	2,071	1,781
Write-down of inventories to net realisable value recognised in the statement of profit or loss and other comprehensive income	620	—	620

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

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
Segment revenue (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
Segment assets	418,929	72,356	491,285
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(36,300)
Corporate and other unallocated assets			67,823
Total assets			<u>522,808</u>
Segment liabilities	196,866	51,202	248,068
<i>Reconciliation:</i>			
Elimination of intersegment payables			(36,300)
Corporate and other unallocated liabilities			64,709
Total liabilities			<u>276,477</u>
Other segment information:			
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	1,731	1,348	3,079

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

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2022 HK\$'000	2021 HK\$'000
Mainland China	441,962	462,252
Japan	74,739	89,764
Asia	21,929	30,932
Middle East	7,603	6,946
America	6,570	15,144
Others	6,982	5,312
	<u>559,785</u>	<u>610,350</u>

The revenue information above is based on the shipment destinations.

(b) Non-current assets

	2022 HK\$'000	2021 HK\$'000
Hong Kong	29,231	33,481
Mainland China	136,901	163,545
Thailand	114,626	100,243
Japan	92	189
	<u>280,850</u>	<u>297,458</u>

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets.

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:

	2022 HK\$'000	2021 HK\$'000
Revenue from contracts with customers	<u>559,785</u>	<u>610,350</u>

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2022

Segments	Automotive beauty and maintenance products HK\$'000	Personal care products HK\$'000	Total HK\$'000
Type of goods			
Sale of products	<u>457,755</u>	<u>102,030</u>	<u>559,785</u>
Geographical markets			
Mainland China	362,944	79,018	441,962
Japan	74,739	—	74,739
Asia	4,450	17,479	21,929
Middle East	7,603	—	7,603
America	6,063	507	6,570
Others	1,956	5,026	6,982
Total revenue from contracts with customers	<u>457,755</u>	<u>102,030</u>	<u>559,785</u>
Timing of revenue recognition			
Goods transferred at a point in time	<u>457,755</u>	<u>102,030</u>	<u>559,785</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 2021

Segments	Automotive beauty and maintenance products HK\$'000	Personal care products HK\$'000	Total HK\$'000
Type of goods			
Sale of products	<u>522,973</u>	<u>87,377</u>	<u>610,350</u>
Geographical markets			
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>
Timing of revenue recognition			
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)

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:

	2022 HK\$'000	2021 HK\$'000
Revenue recognised that was included in the contract liabilities at the beginning of the reporting period:		
Sale of products	<u>10,030</u>	<u>6,724</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:

	2022 HK\$'000	2021 HK\$'000
Amounts expected to be satisfied as revenue:		
Within one year	<u>6,238</u>	<u>10,030</u>

All the amounts of transaction prices allocated to the remaining performance obligations are expected to be satisfied within one year.

5. REVENUE, OTHER INCOME AND GAINS (continued)

Other income and gains

	2022 HK\$'000	2021 HK\$'000
Sale of scrap materials	1,491	1,722
Bank interest income	661	543
Government grants:		
— Related to assets*	233	241
— Related to income**	1,110	6,084
Service income	2,256	2,305
Income from research and development design	—	2,527
Others	1,293	1,420
	<u>7,044</u>	<u>14,842</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\$1,110,000 (2021: HK\$6,084,000) 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	2022 HK\$'000	2021 HK\$'000
Cost of inventories sold		405,596	453,256
Depreciation of property, plant and equipment	14	22,745	22,623
Depreciation of right-of-use assets		1,612	2,107
Auditor's remuneration		1,258	1,467
Research and development costs		19,262	25,618
Lease payments not included in the measurement of lease liabilities		159	439
Employee benefit expense (including directors' remuneration):			
Wages and salaries		47,656	50,521
Equity-settled share option expense		—	714
Pension scheme contributions		5,609	6,046
		53,265	57,281
Exchange losses, net*		1,230	9,361
(Gain)/Loss on disposal of items of property, plant and equipment, net**		(47)	591
Impairment losses on financial assets	12	1,781	138
Write-down of inventories to net realisable value*		620	3,079

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

** Included in "Other income and gains" and "Other expenses" (2021: 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:

	2022	2021
	HK\$'000	HK\$'000
Interest on bank loans wholly repayable within five years	3,815	2,748
Interest on lease liabilities	3	11
	3,818	2,759

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% (2021: 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 (2021: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%).

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 2022 and 2021.

	2022	2021
	HK\$'000	HK\$'000
Current – Mainland China	10,658	7,563
Current – Hong Kong	1,248	3,256
Deferred	1,334	(326)
Total tax charge for the year	13,240	10,493

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:

	2022		2021	
	HK\$'000	%	HK\$'000	%
Profit before tax	<u>55,157</u>		<u>28,509</u>	
Tax at the statutory tax rate	13,789	25.0	7,127	25.0
Entities subject to lower statutory income tax rates	(6,218)	(11.3)	(3,753)	(13.2)
Effect of withholding tax on distributable profits of the Group's PRC subsidiaries	1,655	3.0	(150)	(0.5)
Expenses not deductible for tax	538	1.0	1,020	3.6
Withholding income tax expense	1,248	2.3	3,381	11.9
Super deduction of R&D	(3,542)	(6.4)	(2,212)	(7.8)
Adjustment in respect of current tax of previous periods	520	0.9	564	2.0
Tax losses not recognised	<u>5,250</u>	<u>9.5</u>	<u>4,516</u>	<u>15.8</u>
Tax charge at the Group's effective tax rate	<u>13,240</u>	<u>24.0</u>	<u>10,493</u>	<u>36.8</u>

9. DIVIDENDS

	2022	2021
	HK\$'000	HK\$'000
Interim – HK0.83 cent (2021: HK0.36 cent) per ordinary share	1,942	842
Proposed final – HK2.69 cents (2021: HK0.94 cent) per ordinary share	<u>6,292</u>	<u>2,199</u>
	<u>8,234</u>	<u>3,041</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 2022.

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 233,917,250 (2021: 233,802,085) in issue during the year, as adjusted to reflect the rights issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 December 2022 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

For the year ended 31 December 2021, 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:

	2022 HK\$'000	2021 HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	<u>41,996</u>	<u>18,093</u>
Number of shares		
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	233,917,250	233,802,085
Effect of dilution – weighted average number of ordinary shares:		
Share options	<u>—</u>	<u>2,254,208</u>
	<u>233,917,250</u>	<u>236,056,293</u>

11. INVENTORIES

	2022 HK\$'000	2021 HK\$'000
Raw materials	14,006	17,846
Work in progress	2,768	2,376
Finished goods	33,908	34,545
	<u>50,682</u>	<u>54,767</u>

12. TRADE AND BILLS RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Trade receivables	39,135	45,670
Impairment	(10,351)	(9,278)
	<u>28,784</u>	<u>36,392</u>
Trade receivables, net	28,784	36,392
Bills receivable	937	1,704
	<u>29,721</u>	<u>38,096</u>

The Group requires most of its customers to make payments in advance, however, the Group generally grants credit terms from 30 to 90 days 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.

12. TRADE AND BILLS RECEIVABLES (continued)

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:

	2022 HK\$'000	2021 HK\$'000
Within 30 days	11,774	24,069
31 to 60 days	8,042	4,776
61 to 90 days	4,529	2,825
Over 90 days	4,439	4,722
	<u>28,784</u>	<u>36,392</u>

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

	2022 HK\$'000	2021 HK\$'000
At beginning of year	9,278	10,258
Impairment losses, net (note 6)	1,781	138
Amount written off as uncollectible	—	(1,429)
Exchange realignment	(708)	311
	<u>10,351</u>	<u>9,278</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.

12. TRADE AND BILLS RECEIVABLES (continued)

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	
As at 31 December 2022					
Expected credit loss rate	0.17%	1.61%	9.84%	68.63%	26.45%
Gross carrying amount (HK\$'000)	11,795	8,174	5,023	14,143	39,135
Expected credit losses (HK\$'000)	<u>21</u>	<u>132</u>	<u>494</u>	<u>9,704</u>	<u>10,351</u>
As at 31 December 2021					
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)	<u>39</u>	<u>96</u>	<u>444</u>	<u>8,699</u>	<u>9,278</u>

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:

	2022 HK\$'000	2021 HK\$'000
Within 30 days	25,025	30,741
31 to 60 days	7,351	13,508
61 to 90 days	11,104	15,871
Over 90 days	<u>8,456</u>	<u>1,746</u>
	<u>51,936</u>	<u>61,866</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
31 December 2022							
At 1 January 2022:							
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>
At 1 January 2022, net of							
accumulated depreciation	48,600	30,603	4,892	40,061	23,687	81,834	229,677
Additions	517	15,626	1,081	493	—	12,866	30,583
Disposals	—	(150)	(66)	(4)	—	—	(220)
Depreciation provided							
during the year (note 6)	(7,262)	(7,677)	(1,414)	(6,392)	—	—	(22,745)
Exchange realignment	(2,772)	(2,688)	(341)	(465)	(909)	(1,473)	(8,648)
At 31 December 2022, net of							
accumulated depreciation	<u>39,083</u>	<u>35,714</u>	<u>4,152</u>	<u>33,693</u>	<u>22,778</u>	<u>93,227</u>	<u>228,647</u>
At 31 December 2022:							
Cost	111,795	76,895	16,956	55,649	22,778	93,227	377,300
Accumulated depreciation	(72,712)	(41,181)	(12,804)	(21,956)	—	—	(148,653)
Net carrying amount	<u>39,083</u>	<u>35,714</u>	<u>4,152</u>	<u>33,693</u>	<u>22,778</u>	<u>93,227</u>	<u>228,647</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 2021							
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	<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>

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, plant and machinery with a carrying value of HK\$ 44,093,000 as at 31 December 2022 (2021: HK\$ 40,452,000) (note 15).

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2022			2021		
	Contractual interest rate	Maturity	HK\$'000	Contractual interest rate	Maturity	HK\$'000
Current						
Lease liabilities	1%~5.125%	2023	121	1%~5.125%	2022	262
Bank loans – secured	—	—	—	HIBOR+2.25% /LPR-0.40%	2022	30,064
Current portion of long term bank loans – secured	MLR-1.0%/ HIBOR+1.30%	2023	15,922	HIBOR+ 1.30%~2.25%/ LPR+0.05%	2022	28,981
			16,043			59,307
Non-current						
Lease liabilities	1%~5.125%	2024	55	1%~5.125%	2023	78
Long term bank loans – secured	LPR+0.05%	2024	113	HIBOR +1.30% /LPR+0.05%	2023	30,516
Long term bank loans – secured	MLR-1.0%	2027	34,727	HIBOR +2.25%	2025	30,470
			34,895			61,064
			50,938			120,371

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).

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

“MLR” stands for the Minimum Lending Rate designated by Bank of Thailand.

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

	2022 HK\$'000	2021 HK\$'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	15,922	59,045
In the second year	113	30,516
In the third to fifth years, inclusive	34,727	30,470
	<u>50,762</u>	<u>120,031</u>
Other borrowings repayable:		
Within one year or on demand	121	262
In the second year	55	78
	<u>176</u>	<u>340</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:

	Notes	2022 HK\$'000	2021 HK\$'000
Pledged bank deposits		—	15,000
Property, plant and equipment	14	44,093	40,452
Leasehold land		74,442	57,715
		<u>118,535</u>	<u>113,167</u>

In addition, certain of the Group's bank loans with an amount of HK\$44,649,000 was guaranteed by the Company and Ms. Ko Sau Mee, the chairlady and executive director of the Company as at the end of the reporting period (2021:nil)

	2022 HK\$'000	2021 HK\$'000
Interest-bearing bank borrowings denominated in:		
– RMB	113	49,031
– THB	44,649	—
– HK\$	6,000	71,000
	<u>50,762</u>	<u>120,031</u>

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

The Group has the following undrawn banking facilities:

	2022	2021
	HK\$'000	HK\$'000
Floating rate		
– to expire within one year	120,004	146,074
– to expire after one year	69,887	114,611
	189,891	260,685

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

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

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

FINANCIAL REVIEW

Turnover

For the Reporting Period, the Group's recorded a turnover of approximately HK\$559.8 million (2021: approximately HK\$610.4 million), representing a decrease of approximately 8.3% as compared to the corresponding period of 2021.

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\$457.8 million (2021: approximately HK\$523.0 million), representing a decrease of approximately 12.5% as compared to the corresponding period of 2021. The decrease in segment revenue was mainly due to the reduction of economic activities in PRC market due to COVID-19 in 2022.

Personal care products segment

For the Reporting Period, the Group's personal care products segment has generated revenue amounting to approximately HK\$102.0 million (2021: approximately HK\$87.4 million), representing an increase of approximately 16.8% as compared to the corresponding period of 2021. The increase in segment revenue was mainly due to the significant increase in online sales contributed by a new sales channel.

Cost of Sales

For the Reporting Period, cost of sales of the Group amounted to approximately HK\$405.6 million (2021: approximately HK\$453.3 million), which represented approximately 72.5% (2021: approximately 74.3%) of the turnover in the period. There was a decrease of approximately 10.5% in the cost of sales which was mainly attributable to the decrease in sales as discussed above, which was offset by (i) the significant increase in raw material prices, including tinsplate containers, solvents and gas, which were caused by the increase in crude oil price; (ii) variation of sales of products mix; and (iii) the increase in 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\$154.2 million (2021: approximately HK\$157.1 million), representing a decrease of approximately 1.8% as compared to the corresponding period of 2021. The decrease in gross profit and gross profit margin was mainly driven by the combined effects of (i) the decrease in sales due to the global economic slowdown as a result of the prolonged COVID-19 pandemic and the short term locked-down in various provinces of PRC in 2022; and (ii) the increase in raw material prices, including tinplate containers, solvents and gas.

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 was approximately HK\$7.0 million (2021: approximately HK\$14.8 million), representing a decrease of approximately 52.5% as compared to the corresponding period of 2021, which was mainly due to the combined effect of (i) the decrease in government grants by approximately HK\$5.0 million; and (ii) the decrease in income from provision of research and development design services by approximately HK\$2.5 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\$33.7 million (2021: approximately HK\$46.4 million), representing a decrease of approximately 27.5% as compared to the corresponding period of 2021. The decrease was primarily due to the combined effect of (i) the decrease in overseas sales which caused less transportation costs incurred; and (ii) the implementation of strict cost control measures to reduce the general expenses.

Administrative Expenses

Administrative expenses mainly represented staff salaries, 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\$44.8 million (2021: approximately HK\$54.3 million), representing a decrease of approximately 17.4% as compared to the corresponding period of 2021. The decrease in administrative expenses was primarily due to the net effect of (i) the increase in staff salaries and welfare to approximately HK\$15.6 million (2021: approximately HK\$13.8 million); (ii) the decrease in maintenance costs to approximately HK\$0.9 million (2021: approximately HK\$2.6 million); (iii) the decrease in professional fees, consulting fee and related costs incurred for listing to approximately HK\$3.6 million (2021: approximately HK\$6.5 million); and (iv) the decrease in loss on disposal of obsolete inventories to approximately HK\$0.4 million (2021: approximately HK\$6.1 million).

Net Profit

The Group's net profit amounted to approximately HK\$41.9 million for the Reporting Period (2021: approximately HK\$18.0 million), representing a significant increase of approximately 132.7% as compared to the corresponding period in 2021. Significant increase in net profit was mainly attributable to, among other things, the decrease in selling and distribution expenses, administrative expenses, research and development expenses and other expenses, which was partially offset by the decrease in gross profit and other income and gains.

TREASURY POLICY

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

LIQUIDITY AND CAPITAL RESOURCES

Net Current Assets

As at 31 December 2022, the Group had net current assets of approximately HK\$58.3 million (31 December 2021: approximately HK\$45.2 million). The Group's cash and cash equivalents and pledged bank deposits amounted to approximately HK\$93.2 million as at 31 December 2022 (31 December 2021: approximately HK\$110.1 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 1.4 times as at 31 December 2022 (31 December 2021: approximately 1.3 times).

Borrowings and the Pledge of Assets

The bank borrowings of the Group, which were secured by our properties, plant and equipment and leasehold land amounted to approximately HK\$50.8 million as at 31 December 2022 with maturity ranged from 2023 to 2027 (31 December 2021: approximately HK\$120.0 million). All borrowings are charged with reference to Minimum Lending Rate, Loan Prime Rate and HIBOR.

As at 31 December 2022, we had available unutilized banking facilities of approximately HK\$189.9 million (31 December 2021: approximately HK\$260.7 million).

Gearing Ratio

As a result of the decrease 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 23.4% as at 31 December 2022 (31 December 2021: approximately 35.2%).

Contingent Liabilities

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

Contractual Obligations

As at 31 December 2022, the Group's capital commitment represented the commitment of plant and machinery. As at 31 December 2022, the Group had commitment of plant and machinery of approximately HK\$6.0 million (31 December 2021: approximately HK\$8.8 million).

CAPITAL STRUCTURE

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

FOREIGN EXCHANGE EXPOSURE AND EXCHANGE RATE RISK

Approximately 21.0% 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.

The Group has a foreign operation in Thailand, which is financed by bank borrowings denominated in Thai Baht and intercompany fund transfer. The Group is exposed to foreign exchange risks subject to fluctuations in the exchange rate of Thai Baht.

During the year ended 31 December 2022, 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 2022, the Group had a workforce of 466 employees (31 December 2021: 513 employees). The staff costs, including directors’ emoluments but excluding any contributions to the pension scheme, were approximately HK\$47.7 million for the Reporting Period (2021: approximately HK\$51.2 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 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 2022, the Group did not have any significant investments (31 December 2021: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the 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 2022.

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.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for FY2022 as set out in this preliminary announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial informations for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

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, 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 2022 and up to the date of this announcement.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK2.69 cents per Share for the year ended 31 December 2022 (2021: HK0.94 cent per Share) to be payable to the shareholders of the Company whose names appear on the register of members of the Company as at 1 June 2023, subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company (the “AGM”) to be held on 19 May 2023. The final dividend will be payable on or before 26 June 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 15 May 2023 to 19 May 2023, 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 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 12 May 2023.

The register of members of the Company will be closed from 30 May 2023 to 1 June 2023, 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 29 May 2023.

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) and the Company (<http://www.botny.com>). The annual report of the Company for the year ended 31 December 2022 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, 24 March 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*