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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE CIRCULAR OF THE EXTRAORDINARY GENERAL MEETING REGARDING THE PROPOSED CHANGE OF AUDITOR

Reference is made to the announcement dated 17 June 2026 and the circular dated 26 June 2026 (the "**Circular**") of Precious Dragon Technology Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") in relation to the Proposed Change of Auditor. Unless otherwise defined, capitalized terms used herein shall have the same meanings as those defined in the Circular.

The Board of Directors (the "**Board**") and the Audit Committee of the Company (the "**Audit Committee**") would like to provide the following supplementary information to the Shareholders regarding the specific audit fee structures, working hours, and specialist resource allocations of the incumbent auditor, Ernst & Young ("**EY**"), and the newly proposed auditor, RSM Hong Kong ("**RSM**"), for the annual audit for the year ending 31 December 2026 and the interim review for the six months ending 30 June 2026:

1. Market Benchmarking Analysis of the Annual Statutory Audit Fee and Total Package Fees

As disclosed in the Circular, the disagreement over remuneration primarily arose from EY's proposed baseline statutory annual audit fee quotation of RMB1,660,000 for the year ending 31 December 2026, which represents a significant premium of approximately 112.8% compared to RSM's proposed annual audit fee of RMB780,000 for the same period.

To evaluate the commercial reasonability of the fees and ensure the maintenance of audit quality, the Audit Committee has contextualized the 2026 audit proposals against the actual audit fees incurred for the financial year ended 31 December 2025. For the 2025 financial year, the total combined fees paid to EY for the interim review and the annual statutory audit amounted to RMB1,480,000, of which RMB600,000 was for the interim review and RMB880,000 for the statutory audit.

For the 2026 financial year, while the Group's core wholesale and manufacturing business lines remained stable, its operational profile experienced a significant contraction in the e-commerce segment. Despite this reduction in transactional volume and risk complexity, EY proposed a total combined package fee of RMB1,960,000 (comprising a RMB1,660,000 annual audit fee and a RMB300,000 interim review fee) for 2026. This represented a substantial upward departure of approximately 32.4% from the 2025 historical baseline, an increase which the Audit Committee considered to be commercially disproportionate and operationally unjustified given the shrinking risk landscape.

Subsequent to this, the Audit Committee invited competitive proposals from three (3) alternative major international accounting networks to benchmark prevailing market rates. The total combined package proposals from all three competing international networks uniformly converged at a clear market equilibrium threshold of RMB1,200,000, with the market fee range for the standalone statutory annual audit component explicitly identified as RMB780,000 to RMB850,000.

All four bidding audit firms (including EY and the three alternative networks) submitted their respective audit quotations with a full and comprehensive understanding of the operational contraction and transaction volume adjustments across the Group's e-commerce segment, and recognized the corresponding reduction in audit work associated with the decline of the e-commerce business. The Audit Committee notes that EY's proposed fee quotation reflected an upward departure from historical parameters that did not correlate logically with the Group's reduced operational complexities and shrinking transaction scopes. The consistent price parameters independently put forward by the three independent alternative networks serve to objectively validate that the incumbent's fee quotation considerably exceeded prevailing market thresholds for an enterprise of the Group's realigned size and risk parameters.

This market benchmarking exercise clearly demonstrates that both the standalone statutory audit fee and the total full-scope package rate offered by alternative global networks are significantly lower than the incumbent's proposals. It confirms that EY's proposed pricing demanded an above-market premium that is no longer commercially or operationally justified given the Group's contractionary e-commerce landscape for 2026.

The newly proposed total fee of RMB1,200,000 from RSM reflects an organized reduction of approximately 18.9% compared to the 2025 baseline of RMB1,480,000. This confirms that RSM's proposed fee is not an artificial or aggressive undercutting of the market. Rather, it represents a fair, realistic, and objective market adjustment that correlates logically with the Group's streamlined 2026 operational risk profile.

2. Business Scale Realignment, Revenue Composition and Specialist Support Structure

Management expects a contraction in the Group's e-commerce trade volumes and online retail transaction processing counts for the financial year 2026. This operational shift is clearly demonstrated by the Group's e-commerce performance indicators for the five months ended 31 May 2026, which recorded a decrease of approximately 42.8% in e-commerce sales volume and a decrease of approximately 60.0% in total e-commerce transaction value compared to the corresponding period in 2025.

For contextual clarity regarding the Group's broader commercial operations across its e-commerce, retail, and wholesale business streams, e-commerce sales contributed approximately 22.7% of the Group's total revenue for the financial year ended 31 December 2025. Crucially, for the five months ended 31 May 2026, the revenue contribution from the e-commerce segment further decreased to approximately 9.2% of the Group's total revenue, representing a non-significant portion of the Group's overall commercial operations. The contraction in e-commerce volumes experienced from January to May 2026 means that the processing load, data verification workloads, and overall IT systems complexity have significantly diminished relative to the prior year. This operational contraction naturally mitigates complex transactional tax risks and high-volume domestic online tax reconciliation checks. Consequently, the extent of necessary audit work has decreased significantly, which correlates with a corresponding reduction in the budgeted audit hours required for 2026 compared to the historical actual hours recorded in 2025.

Regarding specialist support protocols, the Board notes that during previous financial years, the Group did not independently engage external third-party evaluation firms for complex asset valuations, historically relying instead on the incumbent auditor to deploy its own multi-tiered internal technical specialist infrastructure to review valuations. Moving forward, the Group retains the operational flexibility to directly engage and remunerate independent external professional third-party valuation firms to act as management's experts for key asset valuations (such as investment properties or impairment assessments) only if and when specifically required by shifting commercial circumstances.

Under this updated arrangement, both EY and RSM follow an identical evaluation framework governed by Hong Kong Standard on Auditing ("HKSA") 500 *Audit Evidence* and HKSA 620 *Using the Work of an Auditor's Expert*. While EY incorporates the overhead costs of an expansive internal specialist review layer within its baseline above-market premium fee, RSM utilizes a highly optimized hybrid model. RSM's independent external auditor's experts perform the same technical scope of work as EY's internal specialists, with RSM's core engagement team providing direct oversight and review of the external experts' findings. RSM estimates that these specialist activities require approximately 520 hours; these hours were not explicitly itemized as part of the core audit hours in the initial audit proposal disclosed in the Circular, but the execution of this work is fully coordinated within the overall engagement timeline. The Board and the Audit Committee emphasize that the separate allocation of these specialist hours does not affect the comprehensiveness of the review, and robust audit quality is fully ensured through RSM's rigorous internal oversight of the experts' work product. The costs associated with RSM's external auditor's experts are considered competitive and cost-effective relative to EY, as RSM utilizes experienced specialist firms within its strategic partner network, allowing access to high-quality expertise at a lower overall cost and fully absorbed within RSM's competitive total fee proposal and do not represent an additional out-of-pocket burden to the Company. RSM's core engagement team retains full responsibility for the final audit conclusions, ensuring that audit quality remains uncompromised and fully robust.

3. Allocation of Working Hours, Organizational Structure and Supervision Sufficiency

The Audit Committee has critically reviewed the structural variations in manpower, grade distributions, and budgeted working hours proposed by both audit firms. EY proposed a total allocation of approximately 4,500 hours (comprising 110 hours for Partners, 350 hours for Managers, 1,005 hours for Seniors, and 2,420 hours for Associates, further segmented into 450 hours for IT, 140 hours for tax, and 14 hours for valuation specialists). In contrast, RSM has proposed a base allocation of 2,900 hours (comprising 95 hours for Partners, 160 hours for Managers, 1,840 hours for Seniors, and 685 hours for Associates, with 120 hours specifically allocated to IT), together with an additional 520 hours for its independent external auditor's experts — bringing RSM's total proposed hours to 3,420 hours.

By performing a detailed comparative analysis of the staffing grade structures between the two firms, the Audit Committee concluded that RSM utilizes a significantly higher relative concentration of senior audit staff to execute the primary field audit work. By deploying experienced field professionals who possess deep industry expertise rather than a traditional, layer-heavy team of junior associates, RSM eliminates inefficiencies associated with step-by-step entry-level training curves and multi-tiered internal administrative reviews. This strategic deployment of more senior, adept personnel leads to a streamlined and optimized allocation of total audit hours, allowing RSM to complete the necessary field execution more efficiently while fully maintaining robust audit quality.

The Audit Committee has explicitly evaluated whether this reduction of total audit hours and the shift to a flatter review model could compromise audit quality, and has definitively confirmed that audit quality will be fully maintained and remains entirely sufficient based on the following justifications:

- **Higher Concentration of Senior Expertise and Elimination of Redundant Layers:** EY applies a traditional, multi-tiered Big-4 structure spanning four (4) distinct administrative layers (comprising Associates, Seniors, Managers/Senior Managers, and Directors/Partners) where work must step through each sequential tier for clearance. Under this matrix, a substantial portion of EY's approximately 4,500 hours is heavily consumed by junior-level training curves, internal repetitive administrative clearance protocols, and secondary reviews between middle-management tiers. In contrast, RSM's deployment of a more experienced, senior-heavy field mix significantly reduces routine transactional data processing time without sacrificing scope.

- **Enhanced Direct Supervision and Efficiency under a Streamlined Review Model:** While RSM maintains the necessary four distinct professional grades to ensure rigorous delivery, it operates them under a highly optimized, flatter execution framework. Rather than routing findings through a prolonged chain of intermediate middle-management checkpoints, RSM's Partners and Managers directly direct, supervise, and review the primary fieldwork executed by the field seniors and associates. By flattening the operational communication loop between these grades, RSM's high-level oversight is applied straight to the source. This ensures that critical accounting judgment areas (such as revenue recognition, inventory provisions, and opening balances) receive direct, immediate partner-level focus early in the audit cycle.

- **Alignment with the Group's Streamlined Risk Profile:** The 255 partner and manager hours constitute approximately 8.8% of RSM's total workforce hours, which represents a structurally balanced supervision-to-fieldwork ratio for an entity of the Group's realigned operational scale. Given the significant operational contraction of the Group's e-commerce segment (which accounted for only 22.7% of 2025 revenue and dropped to a non-significant 9.2% for the five months ended 31 May 2026), the volume of transactional testing and IT systems complexity has substantially decreased.

- **Quality management:** In accordance with International Standard on Quality Management ("ISQM") 1 issued by the International Auditing and Assurance Standards Board, RSM has established and operates a System of Quality Management designed to proactively monitor, manage and enhance the quality of all engagements performed by the RSM.

Consequently, the Audit Committee and the Board are completely satisfied that RSM's experienced personnel allocation, streamlined communication structure, 2,900 budgeted hours, and the additional 520 hours allocated for its independent external auditor's experts are perfectly tailored, structurally sound, and fully adequate to execute a rigorous, highly effective audit in strict compliance with HKSA 220 *Quality Management for an Audit of Financial Statements*.

4. Reconciliation of First-Year Audit Procedures and Agreed Timetable

The Board notes that RSM's interim review fee quotation is higher than that of EY, with EY quoting RMB300,000 and RSM quoting RMB420,000 (representing a premium of 40.0%), which specifically reflects the deliberate structural integration and execution of mandatory initial audit engagement and risk assessment procedures required under HKSA 510 *Initial Audit Engagements — Opening Balances*. To establish a seamless handover and maximize operational efficiencies, RSM has strategically incorporated certain procedures for obtaining an preliminary understanding of the Group's operations, into the interim review phase for the six months ending 30 June 2026, such that these essential initial audit work-done components can be comprehensively performed during the interim period.

In strict compliance with HKSA 300 *Planning an Audit of Financial Statements* and HKSA 315 *Identifying and Assessing the Risks of Material Misstatement*, this early deployment of experienced personnel during the interim phase is strictly dedicated to performing initial audit work-done, evaluating the design and implementation of the Group's internal controls, and mapping historical accounting data. By absorbing these mandatory risk-assessment and transition hours early in the cycle, the required field-testing hours for the standalone annual audit are naturally optimized, allowing for a more cost-efficient annual audit fee structure without any reduction in audit scope or quality.

For the avoidance of doubt, these initial risk-assessment and walkthrough procedures are distinct from, and do not replace, the formal execution milestones set out in the agreed audit timetable presented in the Circular. The formal testing of the operating effectiveness of internal controls will be executed during the audit planning phase in October 2026, and the comprehensive substantive year-end field auditing and verification testing of opening balances will be executed in January 2027 as scheduled. The front-loaded interim transition phase simply provides the baseline system familiarity necessary to execute those upcoming milestones smoothly and efficiently. The Company will continue to facilitate a streamlined professional clearance process, ensuring RSM has complete access to historical records to prevent redundant testing.

Save as disclosed above, all other information and contents contained in the Circular and the notice of the EGM remain unchanged. This announcement does not affect the timing, venue, or resolutions to be proposed at the upcoming EGM.

By order of the Board
Precious Dragon Technology Holdings Limited
Ko Sau Mee
Chairlady and Executive Director

Hong Kong, 14 July 2026

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.