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 2019

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 2019, together with the comparative figures for the six months ended 30 June 2018. 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 2019

	Notes	**2019**	2018
		HK$'000	HK$'000
		(Unaudited)	(Unaudited)
REVENUE	3	**287,409**	290,612
Cost of sales		**(204,785)**	(215,667)
Gross profit		**82,624**	74,945
Other income and gains		**5,713**	8,867
Selling and distribution expenses		**(25,157)**	(23,471)
Administrative expenses		**(22,896)**	(16,961)
Research and development expenses		**(8,723)**	(10,391)
Impairment losses on financial assets, net		**(1,659)**	(797)
Other expenses		**(1,634)**	(1,924)
Finance costs		**(1,672)**	(742)
PROFIT BEFORE TAX	4	**26,596**	29,526
Income tax expense	5	**(8,359)**	(4,647)
PROFIT FOR THE PERIOD		**18,237**	24,879
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**962**	(6,100)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**962**	(6,100)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**19,199**	18,779

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

For the six months ended 30 June 2019

	Notes	**2019**	2018
		HK$'000	HK$'000
		(Unaudited)	(Unaudited)
Profit attributable to:			
Owners of the parent		**17,633**	22,850
Non-controlling interests		**604**	2,029
		18,237	24,879
Total comprehensive income attributable to:			
Owners of the parent		**18,612**	16,958
Non-controlling interests		**587**	1,821
		19,199	18,779
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
Basic			
– For profit for the period		**HK7.5 cents**	HK9.7 cents
Diluted			
– For profit for the period		**HK7.5 cents**	HK9.7 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

	Notes	**30 June 2019 HK$'000 (Unaudited)**	31 December 2018 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**96,449**	104,007
Prepaid land lease payments		**55,919**	56,678
Deferred tax assets		**2,120**	1,724
Non-current prepayments		**8,013**	4,527
Total non-current assets		**162,501**	166,936
CURRENT ASSETS			
Inventories		**56,805**	56,962
Trade and bills receivables	8	**45,097**	39,242
Prepayments, deposits and other receivables		**11,972**	10,099
Pledged bank deposits		**4,330**	4,930
Cash and cash equivalents		**140,661**	142,492
Total current assets		**258,865**	253,725
CURRENT LIABILITIES			
Trade and bills payables	9	**54,320**	68,590
Other payables and accruals		**42,216**	40,921
Tax payable		**4,829**	3,494
Deferred income		**227**	228
Total current liabilities		**101,592**	113,233
NET CURRENT ASSETS		**157,273**	140,492
TOTAL ASSETS LESS CURRENT LIABILITIES		**319,774**	307,428

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

	Notes	**30 June 2019 HK$'000 (Unaudited)**	31 December 2018 HK$'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**45,000**	75,000
Deferred tax liabilities		**1,638**	1,944
Deferred income		**1,934**	2,048
Total non-current liabilities		**48,572**	78,992
NET ASSETS		**271,202**	228,436
EQUITY			
Equity attributable to owners of the Parent		**—**	—
Share capital	10	**2,345**	—
Reserves		**260,637**	220,803
		262,982	220,803
Non-controlling interests		**8,220**	7,633
Total equity		**271,202**	228,436

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

Percios Dragon Technology Holding Limited (the "Company") was incorporated on 4 May 2018 in the Cayman Islands with limited liability.

The share 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 period, 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 aerosol products and non-aerosol products.

Pursuant to the reorganization 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.

Pursuant to the Reorganisation, the Company became the holding company of the companies now comparising the Group. Since the companies now comprising the Group were under the common control of the controlling shareholder both before and after the Reorganisation, these financial statements have been prepared using the principles of merger accounting.

The interim condensed consolidated statements of profit or loss and other comprehensive income, interim condensed consolidated statements of changes in equity and interim condensed consolidated statements of cash flows of the Group for the six months ended 30 June 2019 and 2018 include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the controlling shareholder, where this is a shorter period. The interim condensed consolidated statements of financial position of the Group as at 30 June 2019 and 31 December 2018 have been prepared to present the assets and liabilities of all companies now comprising the Group using the existing book values from the controlling shareholder's perspective.

The interim condensed consolidated financial information for the six months ended 30 June 2019 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 2018.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new and revised International Financial Reporting Standards ("IFRSs") effective as of 1 January 2019.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
IFRIC – Int 23	Uncertainty over Income Tax Treatments
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 AND IAS 23

Other than as explained below regarding the impact of IFRS 16 Leases and IFRIC – Int 23 Uncertainty over Income Tax Treatments, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised IFRSs are described below:

(a) IFRS 16 replaces IAS 17 Leases, IFRIC-Int 4 Determining whether an Arrangement contains a Lease, SIC-Int 15 Operating Leases – Incentives and SIC – Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) *(Continued)*

New definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC-Int 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard -alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying assets). The Group has elected not to recognise right-of use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases with short-terms. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) *(Continued)*

As a lessee – Leases previously classified as operating leases (Continued)

The Group has used the following elective practical expendients when applying IFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions

No impacts arose from the adoption of IFRS 16 at 1 January 2019 as the Group has only short-term leases.

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realizable value in accordance with the Group's policy for incurred, and lease payments made at or before the commencement date less any lease incentrives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease terms, the recognised right-of-use asssets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of lease, if the lease term reflects the Group exercising the option to termination. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) *(Continued)*

Summary of new accounting policies *(Continued)*

Lease liabilities (Continued)

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying assets.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Amounts recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income

The Group recognised rental expenses from short-term leases of HK$266,000 during the period.

(b) IFRIC-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax position"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group's interim condensed consolidated financial information.

3. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with cutomers		
Sale of goods	**287,409**	290,612

Disaggregated revenue information for revenue from contracts with customers:

	For the six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Type of goods		
Sale of industrial products	**287,409**	290,612
Geographical markets		
Mainland China	**220,463**	220,628
Japan	**45,564**	45,388
Asia	**7,051**	10,586
America*	**9,584**	6,692
Africa	**558**	575
Middle East	**3,146**	4,762
Others	**1,043**	1,981
Total revenue from contracts with customers	**287,409**	290,612
Timing of revenue recognition		
Goods transferred at a point in time	**287,409**	290,612

* Mainly included the United States, Chile, Columbia.

The revenue information above is based on the location of the customers' registered offices.

4. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	**204,785**	215,667
Depreciation	**8,738**	7,228
Amortisation of prepaid land lease payments	**727**	786
Research and development costs	**8,723**	10,391
Lease expense	**266**	245
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**17,678**	21,639
Equity-settled share option expenses	**113**	—
Pension scheme contributions	**2,495**	2,578
	20,286	24,217
Exchange (gains)/losses,net	**508**	(2,161)
Loss on disposal of items of property, plant and equipment	**43**	6
Impairment of trade receivables	**1,659**	797
Write down of inventories to net realisable value	**827**	866

5. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (30 June 2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. 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	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current – Mainland China	**6,256**	5,294
Current – Hong Kong	**2,814**	—
Deferred	**(711)**	(647)
	8,359	4,647

6. DIVIDENDS

	For the six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Proposed interim – HK1.40 cents (2018: nil) per ordinary share	**3,284**	—

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

The calculation of basic earnings per share amount is based on the consolidated profit for the six months ended 30 June 2019 attributable to the ordinary equity holders of the parent of HK$17,633,000, and on the weighted average number of ordinary shares of 234,544,750 shares in issue during the period.

The calculation of the diluted earnings per share amounts is based on the consolidated profit for the six months ended 30 June 2019 attributable to ordinary equity holders of the parentof HK$17,633,000, and the weighted average number of ordinary shares in issue during the period, as used in the basic earnings per share calculation of 234,544,750 shares, and the weighted average number of ordinary shares assumed to have been excercised shares of the share option into ordinary shares of 35,738 shares.

8. TRADE AND BILLS RECEIVABLES

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

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Within 30 days	**23,070**	19,072
31 to 60 days	**8,658**	13,727
61 to 90 days	**4,583**	1,300
Over 90 days	**8,786**	5,143
	45,097	39,242

9. TRADE AND BILLS PAYABLES

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

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Within 30 days	**35,738**	35,560
31 to 60 days	**9,448**	12,194
61 to 90 days	**7,389**	11,583
Over 90 days	**1,745**	9,253
	54,320	68,590

10. SHARE CAPITAL

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Issued and fully paid:		
234,544,750 (31 December 2018: 1) ordinary shares	**2,345**	—

A summary of movements in the Company's share capital is as follows:

Unaudited	Note	**Numbers of shares in issue**	**Share capital** HK$'000
At 4 May 2018 (incorporation date)		1	—
At 31 December 2018		1	—
Issue shares	(a)	234,544,749	2,345
At 30 June 2019		234,544,750	2,345

(a) Pursuant to the written resolutions of the sole shareholder passed on 15 May 2019, the Company entered into a sale and purchase agreement with Euro Asia Investment Global Limited, whereby the Company agrees to allot and issue 1 new share to China Aluminum Cans Holdings Limited ("China Aluminum Cans"), in consideration of acquiring 2 shares of Topspan Holdings Limited ("Topspan") representing 0.02% of entire issued shares of Topspan, and; Pursuant to the written resolutions of the sole shareholder passed on 14 June 2019, the company issued 234,544,748 shares to China Aluminum Cans in consideration of the subscription of HK$0.1 each.

On 20 June 2019, all issue shares were distributed to original shareholders of China Aluminum Cans by way of one Share for every four China Aluminum Cans Shares held.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Precious Dragon 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 and "保賜利京東自營旗艦店" at JD.com.

During the period ended 30 June 2019, 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 world economy is still shrouded in the shadow of the Sino-US trade war, there are huge uncertainties and changes in global economic development. Therefore, opportunities and challenges coexist. The Group pays close attention to the development and changes of the industry and adjusts its strategies in a timely manner to cope with and reduce the uncertainties brought by the Sino-US trade war and changes in the external environment. At the same time, by continuously adjusting the sales strategy and customer management and actively participating in various types of exhibitions in PRC and around the world, the Group will 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.

Based on the stable foundation of PRC market, the Group is still prudent and optimistic towards its domestic market and OBM business. 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.

FINANCIAL REVIEW

Turnover

For the six months ended 30 June 2019, the Group's recorded a turnover of approximately HK$287.4 million (six months ended 30 June 2018: approximately HK$290.6 million), representing a slight decrease of approximately 1.1% as compared to the corresponding period of 2018.

For the six months ended 30 June 2019, the Group generated revenue of approximately HK$220.5 million (six months ended 30 June 2018: approximately HK$220.6 million) from PRC customers which remained relatively stable. The increase in unit selling prices was offset by the depreciation of RMB.

For the six months ended 30 June 2019, the Group recorded revenue from overseas customers of approximately HK$66.9 million (six months ended 30 June 2018: approximately HK$70.0 million). The oversea sales remained relatively stable which was caused by the net effects of (i) a decrease in export sales to a United States ("US") customer, which are conducted through a Hong Kong trading company as an export hub; and (ii) continuously developing new customers globally which drive the increase in export sales.

Cost of Sales

For the six months ended 30 June 2019, cost of sales of the Group amounted to approximately HK$204.8 million (six months ended 30 June 2018: HK$215.7 million), which represented approximately 71.3% (six months ended 30 June 2018: 74.2%) of the turnover in the period. There was a decrease of approximately 2.9% in percentage of cost of sales which was mainly attributable to the net effects of (i) decreasing in the cost of procurement of solvents, being major raw materials for the production, which was caused by the decrease in crude oil price; (ii) variation of sales of product mix; and (iii) enhancement of the production management to lower the manufacturing overhead.

Gross Profit and Gross Profit Margin

The Group recorded a gross profit amounted to approximately HK$82.6 million for the six months ended 30 June 2019 (six months ended 30 June 2018: approximately HK$74.9 million), representing an increase of approximately 10.2% as compared to the corresponding period of 2018. The increase in gross profit was mainly driven by sales of products with higher gross profit margins and decreasing in the cost of procurement of solvents, being major raw materials for the production. The gross profit margin increased from approximately 25.8% for the six months ended 30 June 2018 to approximately 28.7% for the corresponding period of 2019.

Other Income and Gains

Other income and gains mainly consist of sales of scrap materials, bank interest income, income from provision of research and development services, government grants, and net exchange differences. For the six months ended 30 June 2019, other income and gains of the Group was approximately HK$5.7 million (six months ended 30 June 2018: approximately HK$8.9 million), representing a significant decrease of 35.6%, which was mainly due to the net effects of (i) the decrease in sales of scrap materials approximately HK$0.2 million; and (ii) significant decrease in exchange gains around HK$2.2 million as a result of depreciation of RMB against United States dollar ("US$").

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 2019, selling and distribution expenses were approximately HK$25.2 million (six months ended 30 June 2018: HK$23.5 million), representing an increase of approximately 7.2% as compared to the corresponding period of 2018. The increase was primarily due to the increase in transportation expenses, entertainment expenses for customers meetings to enhance the customers' relationship and exhibition expenses for brand building.

Administrative Expenses

Administrative expenses mainly represent staff salaries, share option expenses, listing expenses, 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 2019, administrative expenses were approximately HK$22.9 million (six months ended 30 June 2018: approximately HK$17.0 million), representing a significantly increase of approximately 35.0% as compared to the corresponding period of 2018. The increase in administrative expenses was primarily due to (i) increase in staff costs in average salaries as well as the upward adjustment on the contribution ratio of social insurance; and (ii) increase in professional fees and consulting fees incurred for listing to approximately HK$7.9 million (six months ended 30 June 2018: HK$2.9 million).

Finance Costs

For the six months ended 30 June 2019, the finance costs of the Group were approximately HK$1.7 million (six months ended 30 June 2018: approximately HK$0.7 million), representing an increase of approximately 125.3% as compared to the corresponding period of 2018. The increase in finance cost was mainly due to increase in average bank loan outstanding balance compared to corresponding period of 2018 and increase in Hong Kong Interbank Offered Rate ("HIBOR").

Net Profit

The Group's net profit amounted to approximately HK$18.2 million for the six months ended 30 June 2019 (six months ended 30 June 2018: HK$24.9 million), representing a decrease of approximately 26.7% as compared to the corresponding period in 2018. Significant decrease in net profit was mainly due to increase of selling and distribution expenses and listing expenses which was partially offset by increase of gross profit.

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 2019, the Group had net current assets of approximately HK$157.3 million (31 December 2018: approximately HK$140.5 million). The Group's cash and cash equivalents (including pledged bank deposits) amounted to HK$145.0 million as at 30 June 2019 (31 December 2018: HK$147.4 million) which are mainly denominated in Renminbi, United States dollars, Japanese yen and Hong Kong dollars. The current ratio of the Group was approximately 2.5 as at 30 June 2019 (31 December 2018: approximately 2.2).

Borrowings and the Pledge of Assets

The bank borrowings of the Group, which were secured by our properties, plant and equipment and land use rights amounted to approximately HK$45.0 million as at 30 June 2019 with maturity in 2021 (31 December 2018: approximately HK$75.0 million). All borrowings are charged with reference to bank's preferential floating rates and HIBOR.

As at 30 June 2019, we had available unutilized banking facilities of approximately HK$60.1 million (31 December 2018: HK$83.5 million).

Gearing Ratio

As a result of the decrease in cash and cash equivalents and the decrease in total borrowings of the Group, the gearing ratio which is calculated by dividing total debt by equity attributable to owners of our Company, amounted to approximately 17.1% as at 30 June 2019 (31 December 2018: approximately 34.0%).

CAPITAL STRUCTURE

The shares of the Company ("Shares") were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 21 June 2019 (the "Listing Date"). There has been no change in the capital structure of the Group since then.

As at 30 June 2019, the total number of issued shares of the Company (the "Shares") was 234,544,750.

FOREIGN EXCHANGE EXPOSURE AND EXCHANGE RATE RISK

Approximately 27.5% of the Group's revenue for the six months ended 30 June 2019 were denominated in US$. However, over 90.0% of the production costs were settled in RMB. Therefore, there is a currency mismatch between US$ revenue and RMB production costs, which gives rise to exposure to foreign exchange risk. Furthermore, there is a time lag between invoicing and final settlement from customers of export sales. The Group is exposed to foreign exchange risks if the foreign exchange rate at which the US$ sales proceeds received from export sales is different from the rate at which the Group used to book the US$ sales transactions at the time of sales.

During the six months ended 30 June 2019, 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 2019, the Group had a workforce of 489 employees (31 December 2018: 512 employees). The staff costs, including directors' emoluments but excluding any contributions to the pension scheme, were approximately HK$17.7 million for the six months ended 30 June 2019 (six months ended 30 June 2018: approximately HK$21.6 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. 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 2019.

SIGNIFICANT INVESTMENTS

As at 30 June 2019, the Group did not have any significant investments (31 December 2018: nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended 30 June 2019, 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 2019.

CONTRACTUAL OBLIGATIONS

As at 30 June 2019, the Group's capital commitments approximately amounted to HK$1.5 million (31 December 2018: HK$4.1 million).

CONTINGENT LIABILITIES

As at 30 June 2019, the Group had no significant contingent liabilities (31 December 2018: nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2019 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 2019 and up to the date of this announcement.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established on 27 May 2019 with terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 (the "CG Code") to the Listing Rules for the purpose of making recommendations to the Board on the appointment and removal of the external auditor, reviewing the financial statements and related materials, providing advice in respect of the financial reporting process and overseeing the risk management and internal control systems of the Group. The Audit Committee now comprises three members, all being independent non-executive Directors, namely, Mr. Poon Tak Ching (Chairman), Mr. Lee Yiu Pui and Mr. Pang Cheung Wai, Thomas, SBS, JP. 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 2019 and recommended its adoption by the Board.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the CG Code during the six months ended 30 June 2019 except the CG Code provision A.2.1.

Pursuant to code provision A.2.1 of the CG Code, the responsibilities between the chairman and the chief executive officer 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 officer of the Company (the "Chief Executive Officer") and 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 Officer 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 Officer at a time when it is appropriate and suitable by taking into account the circumstances of the Company as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding the Directors' securities transactions. All Directors have confirmed that, following specific enquiries made by the Company, they have complied with the required standards set out in the Model Code for the six months ended 30 June 2019.

DIVIDENDS

The Board has resolved to declare an interim dividend of HK1.40 cents per Share for the six months ended 30 June 2019 (six months ended 30 June 2018: HK$ nil) to be payable on or around 29 November 2019 to the shareholders of the Company whose name appear on the register of members of the Company on 20 September 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 18 September 2019 to 20 September 2019, 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 17 September 2019.

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 2019 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, 28 August 2019

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*