

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2020

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 2020, together with the comparative figures for the six months ended 30 June 2019. 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 2020

	Notes	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
REVENUE	3	344,091	287,409
Cost of sales		(219,977)	(204,785)
Gross profit		124,114	82,624
Other income and gains		6,893	5,713
Selling and distribution expenses		(26,302)	(25,157)
Administrative expenses		(27,587)	(22,896)
Research and development expenses		(8,724)	(8,723)
Impairment losses on financial assets, net		(2,916)	(1,659)
Other expenses		(3,921)	(1,634)
Finance costs		(880)	(1,672)
PROFIT BEFORE TAX	4	60,677	26,596
Income tax expense	5	(20,958)	(8,359)
PROFIT FOR THE PERIOD		<u>39,719</u>	<u>18,237</u>
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		(4,546)	962
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>35,173</u>	<u>19,199</u>

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

For the six months ended 30 June 2020

	Notes	2020	2019
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Profit attributable to:			
Owners of the parent		29,918	17,633
Non-controlling interests		9,801	604
		<u>39,719</u>	<u>18,237</u>
Total comprehensive income attributable to:			
Owners of the parent		25,595	18,612
Non-controlling interests		9,578	587
		<u>35,173</u>	<u>19,199</u>
 EARNINGS PER SHARE ATTRIBUTABLE TO			
ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	7		
– For profit for the period		<u>HK 12.8 cents</u>	<u>HK 7.5 cents</u>
Diluted			
– For profit for the period		<u>HK 12.8 cents</u>	<u>HK 7.5 cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	30 June 2020	31 December 2019
		HK\$'000	HK\$'000
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		123,611	96,199
Right-of-use assets		60,630	55,942
Deferred tax assets		3,001	2,160
Non-current prepayments		18,081	44,010
		<hr/>	<hr/>
Total non-current assets		205,323	198,311
CURRENT ASSETS			
Inventories		58,498	49,157
Trade and bills receivables	8	90,529	30,294
Prepayments, deposits and other receivables		13,654	5,936
Pledged bank deposits		3,625	3,424
Cash and cash equivalents		100,940	134,953
		<hr/>	<hr/>
Total current assets		267,246	223,764
CURRENT LIABILITIES			
Trade and bills payables	9	51,464	42,329
Other payables and accruals		55,879	55,360
Interest-bearing bank and other borrowings		38,491	15,152
Tax payable		9,750	2,722
Deferred income		219	224
		<hr/>	<hr/>
Total current liabilities		155,803	115,787
NET CURRENT ASSETS		111,443	107,977
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		316,766	306,288
		<hr/>	<hr/>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	30 June 2020	31 December 2019
		HK\$'000	HK\$'000
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		4,173	25,082
Deferred tax liabilities		2,588	1,769
Deferred income		1,645	1,790
		<hr/>	<hr/>
Total non-current liabilities		8,406	28,641
		<hr/>	<hr/>
NET ASSETS		308,360	277,647
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the Parent			
Share capital		2,335	2,335
Reserves		295,119	273,139
		<hr/>	<hr/>
		297,454	275,474
Non-controlling interests		10,906	2,173
		<hr/>	<hr/>
Total equity		308,360	277,647
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 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 2019.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following new and revised International Financial Reporting Standards ("IFRSs") effective as of 1 January 2020 for the first time for the current period's financial information.

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

The nature and impact of the new and revised IFRSs are described below:

- (a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any 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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue from contracts with customers	<u>344,091</u>	<u>287,409</u>

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2020

Segments	Automotive beauty and maintenance products HK\$'000 (Unaudited)	Personal care products HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Type of goods			
Sale of industrial products	<u>200,563</u>	<u>143,528</u>	<u>344,091</u>
Geographical markets			
Mainland China	139,530	69,616	209,146
Japan	52,118	1,655	53,773
Asia	2,899	61,701	64,600
Middle East	2,686	—	2,686
America	1,845	9,773	11,618
Others	1,485	783	2,268
Total revenue from contracts with customers	<u>200,563</u>	<u>143,528</u>	<u>344,091</u>
Timing of revenue recognition			
Goods transferred at a point in time	<u>200,563</u>	<u>143,528</u>	<u>344,091</u>

3. REVENUE (Continued)

Disaggregated revenue information for revenue from contracts with customers (Continued)

For the six months ended 30 June 2019

Segments	Automotive beauty and maintenance products HK\$'000 (Unaudited)	Personal care products HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Type of goods			
Sale of industrial products	250,735	36,674	287,409
Geographical markets			
Mainland China	183,789	36,674	220,463
Japan	45,564	—	45,564
Asia	7,051	—	7,051
Middle East	3,146	—	3,146
America	9,584	—	9,584
Others	1,601	—	1,601
Total revenue from contracts with customers	<u>250,735</u>	<u>36,674</u>	<u>287,409</u>
Timing of revenue recognition			
Goods transferred at a point in time	<u>250,735</u>	<u>36,674</u>	<u>287,409</u>

Set out below is the reconciliation of the revenue from contracts to customers to the amounts disclosed in the segment information:

For the six months ended 30 June 2020

Segments	Automotive beauty and maintenance products HK\$'000 (Unaudited)	Personal care products HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue from contracts with customers			
External customers	200,563	143,528	344,091
Intersegment sales	151	1,212	1,363
Intersegment adjustments and eliminations	(151)	(1,212)	(1,363)
Total revenue from contracts with customers	<u>200,563</u>	<u>143,528</u>	<u>344,091</u>

3. REVENUE (Continued)

Disaggregated revenue information for revenue from contracts with customers (Continued)

For the six months ended 30 June 2019

Segments	Automotive beauty and maintenance products HK\$'000 (Unaudited)	Personal care products HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue from contracts with customers			
External customers	250,735	36,674	287,409
Intersegment sales	—	—	—
Intersegment adjustments and eliminations	—	—	—
Total revenue from contracts with customers	<u>250,735</u>	<u>36,674</u>	<u>287,409</u>

4. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Cost of inventories sold	219,977	204,785
Depreciation of property, plant and equipment	8,468	8,738
Depreciation of right-of-use assets (2019: amortisation of prepaid land lease payments)	1,815	727
Research and development costs	8,724	8,723
Minimum lease payments under operating leases	—	266
Lease payments not included in the measurement of lease liabilities	260	—
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	21,730	17,678
Equity-settled share option expenses	2,107	113
Pension scheme contributions	2,420	2,495
	<u>26,257</u>	<u>20,286</u>
Exchange losses, net	1,757	508
Net loss on disposal of items of property, plant and equipment	116	43
Impairment of trade receivables	2,916	1,659
Write down of inventories to net realisable value	787	827

5. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (30 June 2019: 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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Current – Mainland China	16,048	6,256
Current – Hong Kong	4,976	2,814
Deferred	(66)	(711)
	<u>20,958</u>	<u>8,359</u>

6. DIVIDENDS

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Final declared and paid - HK2.45 cents (2019: nil) per ordinary share	5,722	—
Proposed interim – HK2.00 cents (2019: HK1.40 cents) per ordinary share	4,671	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 2020 attributable to the ordinary equity holders of the parent of HK\$29,918,000 (2019: HK\$17,633,000), and on the weighted average number of ordinary shares of 233,544,750 (2019: 234,544,750) shares in issue during the period.

No adjustment has been made to the basic earning per share amounts presented for the six months ended 30 June 2020 and 2019 in respect of a dilution as the impact of the share option outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

8. TRADE AND BILLS RECEIVABLES

An ageing 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 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Within 30 days	31,298	18,904
31 to 60 days	47,272	5,514
61 to 90 days	6,285	1,153
Over 90 days	5,674	4,723
	90,529	30,294

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 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Within 30 days	34,369	30,660
31 to 60 days	8,938	6,090
61 to 90 days	7,160	4,983
Over 90 days	997	596
	51,464	42,329

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Precious Dragon Technology Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) is the leading manufacturer specializing in manufacturing of aerosol products used in the automotive beauty and maintenance products in the People’s Republic of China (“PRC”). We are principally engaged in the design, development, manufacture and sale of a wide range of automotive beauty and maintenance products including auto cleaning and maintenance products (such as auto interior decoration cleaning products and tyre and wheel cleaning and care products), paint and coating (such as chrome aerosol spray), winter and summer specials (such as refrigerant and cold cranking agent) and air-fresheners. The automotive beauty and maintenance products are in the form of aerosol and non-aerosol products. We also design, develop, manufacture and sell personal care products (such as foaming facial wash, sunscreen, moisturiser, deodoriser and hand wash) and other products including household products (such as paint and floor polish).

The Company sells the products on contract manufacturing service (“CMS”) and original brand manufacturing (“OBM”). The Company’s OBM business offers products under our own brand names of BOTNY (保賜利), ATM, ETOMAN (已度明), NISSEI, WIN (勝彩), FOX-D (狐狸), PISCIS (百麗時) and PARLUX (派樂士), which are sold mainly through (1) the networks of distributors, who further resell our OBM products to wholesalers, retailers and end-users in the PRC; and (2) the online stores of “保賜利旗艦店” at Tmall and “保賜利京東自營旗艦店” at JD.com.

During the period ended 30 June 2020, 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. 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 shrouded in the shadow of the Sino-US trade war and outbreak of COVID-19 pandemic, there are huge uncertainties and 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 Sino-US trade war, (ii) market demands of products, (iii) supply chain of production materials under the impact of coronavirus crisis, and (iv) changes in the external environment. At the same time, by continuously adjusting the diversify strategy and customer management and 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 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 caused by COVID-19 pandemic, the economic foundation of PRC market keeps stable in the long run. The Group development a series of new sanitizer products to meet the demands under the COVID-19 pandemic. Therefore, opportunities and challenges coexist. The Group is still prudent and optimistic towards its domestic market and Original Brand Manufacturing ("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 2020, the Group's recorded a turnover of approximately HK\$344.1 million (six months ended 30 June 2019: approximately HK\$287.4 million), representing a significant increase of approximately 19.7% as compared to the corresponding period of 2019.

For the six months ended 30 June 2020, the Group generated revenue of approximately HK\$209.1 million (six months ended 30 June 2019: approximately HK\$220.5 million) from PRC customers, representing a slight decrease of approximately 5.2% as compared to the corresponding period of 2019. The decrease in PRC sales caused by short term locked-down in PRC due to the COVID-19 pandemic was partially offset by the increase in sales of newly developed sanitizer products.

For the six months ended 30 June 2020, the Group recorded revenue from overseas customers of approximately HK\$135.0 million (six months ended 30 June 2019: approximately HK\$66.9 million). The overseas sales significantly increased was mainly caused by the net effects of (i) an increase in export sales to a United States (“US”) customer, which are conducted through a Hong Kong trading company as an export hub; (ii) continuously developing new customers globally which drive the increase in export sales, and (iii) increase in export sales due to the development of a series of new sanitizer products to meet the demands under COVID-19 pandemic.

Cost of Sales

For the six months ended 30 June 2020, cost of sales of the Group amounted to approximately HK\$220.0 million (six months ended 30 June 2019: HK\$204.8 million), which represented approximately 63.9% (six months ended 30 June 2019: approximately 71.3%) of the turnover in the period. There was a decrease of approximately 7.4% 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\$124.1 million for the six months ended 30 June 2020 (six months ended 30 June 2019: approximately HK\$82.6 million), representing a significant increase of approximately 50.2% as compared to the corresponding period of 2019. 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 28.7% for the six months ended 30 June 2019 to approximately 36.1% for the corresponding period of 2020.

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 2020, other income and gains of the Group was approximately HK\$6.9 million (six months ended 30 June 2019: approximately HK\$5.7 million), representing an increase of 21.1%, which was mainly due to the net effects of (i) the increase of sales of scrap materials of approximately HK\$1.2 million, (ii) increase of government grants of approximately HK\$0.5 million, and (iii) decrease of income from provision of research and development services of approximately HK\$0.6 million.

Selling and Distribution Expenses

Selling and distribution expenses mainly consist of transportation expenses and declaration charges for delivery of products to customers, salaries, performance bonuses and employee benefits expenses for the sales and marketing staff, business travel, entertainment expenses, advertisement and promotion costs. For the six months ended 30 June 2020, selling and distribution expenses were approximately HK\$26.3 million (six months ended 30 June 2019: approximately HK\$25.2 million), representing an increase of approximately 4.4% as compared to the corresponding period of 2019. The increase was primarily due to the net effects of (i) the increase in transportation expenses, (ii) the decrease in entertainment expenses for customers meetings, and (iii) the decrease in exhibition expenses.

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 2020, administrative expenses were approximately HK\$27.6 million (six months ended 30 June 2019: approximately HK\$22.9 million), representing an increase of approximately 20.5% as compared to the corresponding period of 2019. The increase in administrative expenses was primarily due to (i) increase in staff salaries and welfare to approximately HK\$6.1 million (six months ended 30 June 2019: HK\$3.8 million), (ii) increase in maintenance costs to approximately HK\$3.2 million (six months ended 30 June 2019: HK\$0.7 million), (iii) increase in depreciation expenses to approximately HK\$4.0 million (six months ended 30 June 2019: HK\$2.3 million), (iv) increase in share option expenses to approximately HK\$1.2 million (six months ended 30 June 2019: HK\$65,000), and (v) decrease in professional fees, consulting fee and related costs incurred for listing to approximately HK\$4.6 million (six months ended 30 June 2019: HK\$7.9 million).

Finance Costs

For the six months ended 30 June 2020, the finance costs of the Group were approximately HK\$0.9 million (six months ended 30 June 2019: approximately HK\$1.7 million), representing a decrease of approximately 47.1% as compared to the corresponding period of 2019. The decrease in finance cost was mainly due to decrease in average bank loan outstanding balance compared to corresponding period of 2019 and increase in Hong Kong Interbank Offered Rate ("HIBOR").

Net Profit

The Group's net profit amounted to approximately HK\$39.7 million for the six months ended 30 June 2020 (six months ended 30 June 2019: approximately HK\$18.2 million), representing a significant increase of approximately 118.1% as compared to the corresponding period in 2019. Significant increase in net profit was mainly attributable to, among other things, (i) the Group's continuous efforts in enhancing operational management and improving control over operating costs in order to reduce the negative impact of the COVID-19 pandemic to the Group's operations; (ii) the development of a series of new sanitizer products by the Group to meet the demands under the COVID-19 pandemic; and (iii) the decrease in professional fees incurred for listing.

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 2020, the Group had net current assets of approximately HK\$111.4 million (31 December 2019: approximately HK\$108.0 million). The Group's cash and cash equivalents (including pledged bank deposits) amounted to HK\$104.6 million as at 30 June 2020 (31 December 2019: HK\$138.4 million) which are mainly denominated in Renminbi, United States dollars, Japanese yen and Hong Kong dollars. The current ratio of the Group was approximately 1.7 as at 30 June 2020 (31 December 2019: approximately 1.9).

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\$35.9 million as at 30 June 2020 with maturity in 2021 (31 December 2019: approximately HK\$40.0 million). All borrowings are charged with reference to bank's preferential floating rates and HIBOR.

As at 30 June 2020, we had available unutilized banking facilities of approximately HK\$95.6 million (31 December 2019: HK\$63.0 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 the Company, amounted to approximately 8.5% as at 30 June 2020 (31 December 2019: approximately -7.9%).

CAPITAL STRUCTURE

As at 30 June 2020, the total number of issued shares of the Company (the “Shares”) was 233,544,750 (31 December 2019: 233,544,750).

FOREIGN EXCHANGE EXPOSURE AND EXCHANGE RATE RISK

Approximately 39.2% of the Group’s revenue for the six months ended 30 June 2020 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 2020, 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 2020, the Group had a workforce of 513 employees (31 December 2019: 481 employees). The staff costs, including directors’ emoluments but excluding any contributions to the pension scheme, were approximately HK\$21.7 million for the six months ended 30 June 2020 (six months ended 30 June 2019: approximately HK\$17.7million). 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 2020.

SIGNIFICANT INVESTMENTS

On 23 December 2019, Botny Corporation Limited, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Sunseeker International Limited for the sale and purchase of a Sunseeker 86 Yacht numbered 8722086 (the “Yacht”) at a total consideration of £3,650,000 (equivalent to approximately HK\$38,000,000) (the “Purchase of the Yacht”). The consideration for the Purchase of the Yacht shall be financed by the Company’s internal resources, bank borrowings and a shareholder loan which is interest-free, unsecured and repayable on demand.

As part of the Group’s marketing and promotional activities with a view to exploring new business opportunities and managing existing customer and supplier relationships, the Group has been organising marketing events and social activities such as dinners and overseas trips with its customers and suppliers to maintain and foster business relationships from time to time. Such marketing events and social activities have been effective in facilitating the communication between the Group and its business partners, allowing the Group to understand more about their needs through obtaining their feedback on the Group’s products.

The Group plans to use the Yacht as venue for regular business meetings and marketing and social events with its original brand manufacturing (OBM) and contract manufacturing service (CMS) customers as well as its suppliers. The Board considers that the regular holding of such business meetings and marketing and social events allows the Group to enhance business relationships with its business partners and to understand the latest market trends which are useful references for setting the Group’s sales and marketing strategies through close interaction in a comfortable and relaxing environment. With an increase in the Group’s resources in marketing and relationship development, the business of the Group will be enhanced.

The fair value of the Yacht as at 30 June 2020 is £3,650,000 (equivalent to approximately HK\$38,000,000), representing approximately 8.0% of the total assets of the Company. There is no any realised and unrealised gain or loss during the six months ended 30 June 2020.

Details of the Purchase of the Yacht are set out in the announcement of the Company dated 23 December 2019.

Save as disclosed above, as at 30 June 2020, the Group did not have any significant investments (31 December 2019: nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 10 June 2020, Precious Dragon Technology Thai Limited (“Precious Dragon Thai”), a wholly-owned subsidiary of the Company, as the buyer, and Pinthong Industrial Park Public Company Limited (“Pinthong”), as the seller, entered into a sale and purchase agreement, pursuant to which Precious Dragon Thai conditionally agreed to acquire the land situated in Pinthong Industrial Estate Project 3 developed by Pinthong at 219 Moo 6, Bowin Sub-district, Sriracha District, Chonburi Province 20230, Plot No. G016, under Title Deed No. 170459, Land Range No. 5235 III 2248,2448, Land No. 5101, Survey Page no. 22333, covering a total area of 36,983.20 square meters (the “Land”) (the “Acquisition of the Land”) from Pinthong at a consideration of Baht 100,548,075.00 (equivalent to approximately HK\$24,800,000), subject to adjustment. The consideration for the Acquisition of the Land shall be funded by the Company’s internal resources.

Through the Acquisition of the Land, the Group plans to set up a new production plant for the production of its products in Thailand. The Directors consider that the Acquisition will be beneficial to the Group for the following reasons:

- (i) the Acquisition represents a strategic move for the Group to diversify its production base overseas and strengthen its overseas sales, particularly in the South Asia countries. Most importantly, the Group will have an overseas production base to cope with the changes and impacts that may result from the Sino-US trade war and other international trade barriers;
- (ii) the Group is expected to benefit from the lower cost of raw materials from the surrounding area, thereby enhancing the competitiveness of the Group’s products in Asia; and
- (iii) increasingly stringent health, safety and environmental policies, laws and regulations in the PRC may impose additional costs to the production of the Group. Moreover, any violation of applicable health, safety and environmental policies, laws and regulations in the PRC may result in orders of corrections, fines, shutdown of production and obligation to take corrective measures which could materially and adversely affect the Group’s business, financial position and results of operations. Having an overseas manufacturing plant can minimise and diversify the aforesaid risk.

The fair value of the Land as at 30 June 2020 is Baht 100,548,075.00 (equivalent to approximately HK\$24,800,000), representing approximately 5.2% of the total assets of the Company. There is no any realised and unrealised gain or loss during the six months ended 30 June 2020.

The Acquisition of the Land was completed on 22 July 2020.

Details of the Acquisition of the Land are set out in the announcements of the Company dated 10 June 2020 and 15 June 2020.

Save as disclosed above, during the six months ended 30 June 2020, 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 2020.

CONTRACTUAL OBLIGATIONS

As at 30 June 2020, the Group's capital commitments approximately amounted to HK\$18.6 million (31 December 2019: HK\$0.2 million).

CONTINGENT LIABILITIES

As at 30 June 2020, the Group had no significant contingent liabilities (31 December 2019: nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2020 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

The Acquisition of the Land was completed on 22 July 2020. Please refer to the paragraph headed "Material acquisitions and disposals of subsidiaries, associates and joint ventures" for more details.

Save as disclosed above, there were no significant events after 30 June 2020 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. 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 2020 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 2020 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 should be separate and should not be performed by the same individual. However, we do not have a separate chairlady of the Board (the “Chairlady”) and chief executive of the Company (the “Chief Executive”) and Ms. Ko Sau Mee (“Mrs. Lin”) currently performs these two roles.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding the Directors’ securities transactions. All Directors have confirmed that, following specific enquiries made by the Company, they have complied with the required standards set out in the Model Code for the six months ended 30 June 2020.

DIVIDENDS

The Board has resolved to declare an interim dividend of HK2.45 cents per Share for the six months ended 30 June 2020 (six months ended 30 June 2019: HK\$1.40 cents per Share) to be payable on or around 30 October 2020 to the shareholders of the Company whose name appear on the register of members of the Company on 7 September 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 3 September 2020 to 7 September 2020, 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 2 September 2020.

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 2020 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, 17 August 2020

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*