



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



INTERIM REPORT 2019

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. Ko Sau Mee (Chairlady and Chief Executive Officer)
Ms. Lin Hing Lei
Mr. Lin Hing Lung
Mr. Yang Xiaoye

Independent Non-executive Directors

Mr. Lee Yiu Pui
Mr. Poon Tak Ching
Mr. Pang Cheung Wai, Thomas, SBS, JP

COMMITTEES OF THE BOARD

Audit Committee

Mr. Poon Tak Ching (*Chairman*)
Mr. Lee Yiu Pui
Mr. Pang Cheung Wai, Thomas, SBS, JP

Remuneration Committee

Mr. Pang Cheung Wai, Thomas, SBS, JP (*Chairman*)
Ms. Ko Sau Mee
Mr. Lee Yiu Pui
Mr. Poon Tak Ching

Nomination Committee

Mr. Lee Yiu Pui (*Chairman*)
Ms. Ko Sau Mee
Mr. Poon Tak Ching
Mr. Pang Cheung Wai, Thomas, SBS, JP

AUTHORIZED REPRESENTATIVES

Ms. Ko Sau Mee
Mr. Lee Kam Fai

COMPANY SECRETARY

Mr. Lee Kam Fai

REGISTERED OFFICE

Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HEADQUARTER OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

No. 628 Jufeng North Road
Aotou Town
Conghua District
Guangzhou City
Guangdong Province
People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit G, 20/F., Golden Sun Centre
Nos. 59/67 Bonham Strand West
Sheung Wan
Hong Kong

AUDITOR

Ernst & Young
22/F., CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

Corporate Information

COMPLIANCE ADVISER

China Tonghai Capital Limited
18/F China Building
29 Queen's Road Central
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited
Bank of China Limited

STOCK CODE

1861

WEBSITE FOR THE COMPANY

www.botny.com

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.

Management Discussion and Analysis

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 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 overseas 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\$").

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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 report.

Report on Review of Interim Condensed Consolidated Financial Statements

Independent Review Report

To the board of directors of Precious Dragon Technology Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 10 to 31, which comprises the condensed consolidated statement of financial position of Precious Dragon Technology Holdings Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young

Certified Public Accountants

Hong Kong

28 August 2019

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019

	Notes	For the six months ended 30 June	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (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
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

As at 30 June 2019

	Notes	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	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	9	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	10	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
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

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
EQUITY			
Equity attributable to owners of the Parent		—	—
Share capital	11	2,345	—
Reserves		260,637	220,803
		262,982	220,803
Non-controlling interests		8,220	7,633
		271,202	228,436
Total equity			

.....
Director

.....
Director

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Attributable to owners of the parent									Total equity HK\$'000
	Share capital HK\$'000 (note 11)	Share premium account HK\$'000	Merger reserve HK\$'000	Share option reserve HK\$'000 (note 14)	Reserve funds HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	
At 31 December 2018 (audited)	—	16,221	(62,722)	—	46,949	(14,080)	234,435	220,803	7,633	228,436
Profit for the period	—	—	—	—	—	—	17,633	17,633	604	18,237
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	—	—	—	—	—	979	—	979	(17)	962
Total comprehensive income for the period	—	—	—	—	—	979	17,633	18,612	587	19,199
Consideration paid for business combination under common control	—	—	—	—	—	—	—	—	—	—
Issue of Shares	2,345	21,109	—	—	—	—	—	23,454	—	23,454
Transfer from retained profits	—	—	—	—	141	—	(141)	—	—	—
Equity-settled share option arrangements	—	—	—	113	—	—	—	113	—	113
At 30 June 2019 (unaudited)	2,345	37,330	(62,722)	113	47,090	(13,101)	251,927	262,982	8,220	271,202

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Attributable to owners of the parent									
	Share capital	Share premium account	Merger reserve	Share option reserve	Reserve funds	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK\$'000 (note 11)	HK\$'000	HK\$'000	HK\$'000 (note14)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2018 (audited)	—	—	27,278	—	41,493	1,810	198,205	268,786	3,114	271,900
Profit for the period	—	—	—	—	—	—	22,850	22,850	2,029	24,879
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	—	—	—	—	—	(5,892)	—	(5,892)	(208)	(6,100)
Total comprehensive income for the period	—	—	—	—	—	(5,892)	22,850	16,958	1,821	18,779
Consideration paid for business combination under common control	—	—	(90,000)	—	—	—	—	(90,000)	—	(90,000)
Issue of Shares	—	16,221	—	—	—	—	—	16,221	—	16,221
Transfer from retained profits	—	—	—	—	2,207	—	(2,207)	—	—	—
At 30 June 2018 (unaudited)	—	16,221	(62,722)	—	43,700	(4,082)	218,848	211,965	4,935	216,900

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Notes	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		26,596	29,526
Adjustments for:			
Finance cost		1,672	742
Interest income		—	(164)
Loss on disposal of properties, plant and equipment	4	43	6
Depreciation of items of property, plant and equipment	4	8,738	7,228
Amortisation of prepaid land lease payments	4	727	786
Impairment/(reversal) of inventories, net	4	200	866
Impairment of trade receivables	4	1,659	797
Equity-settled share option expense	4	113	—
		39,748	39,787
Increase in inventories		(43)	(1,790)
Increase in trade and bills receivables		(7,514)	(5,050)
Decrease/(increase) in prepayments, deposits and other receivables		(2,801)	24,725
(Decrease)/increase in trade and bills payables		(14,270)	8,602
(Decrease)/increase in deposits received, other payables and accruals		1,625	(2,999)
(Decrease)/increase in deferred income		(115)	2,460
Cash generated from operations		16,630	65,735
Withholding tax paid		(2,773)	—
PRC corporate income tax paid		(4,891)	(1,941)
Net cash flows from operating activities		8,966	63,794
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(4,735)	(11,118)
Proceeds from disposal of items of property, plant and equipment		16	108
Decrease/(increase) in pledged bank deposits		600	(31,256)
Interest received from bank		—	164
Acquisition of a subsidiary		—	(90,000)
Net cash flows used in investing activities		(4,119)	(132,102)

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Notes	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	11	23,454	—
New bank loans		15,000	90,000
Repayment of bank loans		(45,000)	(3,553)
Interest paid		(1,672)	(742)
Decrease in amounts due from related parties		928	—
(Decrease) in amounts due to related parties		(330)	—
Net cash flows from/(used in) financing activities		(7,620)	85,705
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Net foreign exchange difference		942	2,302
Cash and cash equivalents at beginning of period		142,492	99,779
CASH AND CASH EQUIVALENTS AT END OF PERIOD		140,661	119,478

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2019

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 comprising 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.

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2019

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	<i>Prepayment Features with Negative Compensation</i>
IFRS 16	<i>Leases</i>
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.

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.

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2019

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(a) *(Continued)*

New definition of a lease *(Continued)*

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.

The Group has used the following elective practical expedients 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:

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2019

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(a) *(Continued)*

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 incentives 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 assets 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.

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.

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2019

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

- (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 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
<i>Revenue from contracts with customers</i>		
Sale of goods	287,409	290,612

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2019

3. REVENUE *(Continued)*

Disaggregated revenue information for revenue from contracts with customers:

	For the six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (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.

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2019

4. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (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 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Current – Mainland China	6,256	5,294
Current – Hong Kong	2,814	—
Deferred	(711)	(647)
	8,359	4,647

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2019

6. DIVIDENDS

	For the six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (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 parent of 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 exercised shares of the share option into ordinary shares of 35,738 shares.

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2019

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired assets with a cost of HK\$1,249,000 (30 June 2018: HK\$11,910,000).

Assets with a net book value of HK\$59,000 were disposed by the Group during the six months ended 30 June 2019 (30 June 2018: HK\$114,000), resulting losses on disposal of HK\$43,000 (30 June 2018: HK\$6,000).

During the six months ended 30 June 2019, no impairment loss was recognized (30 June 2018: nil) by the Group.

9. 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

10. 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

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2019

11. SHARE CAPITAL

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
<i>Issued and fully paid:</i>		
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.

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2019

12. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Contracted, but not provided for:		
Plant and machinery	1,526	4,126
	1,526	4,126

13. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the period:

		For the six months ended 30 June	
	Notes	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Sales of products to:			
European Asia Industrial Limited ("European Asia Industrial")	(i)	—	5,338
Total		—	5,338
Purchases of products from:			
Euro Asia Packaging (Guangdong) Co. Limited ("Euro Asia Packaging")	(i)	11,314	11,542
Hong Kong Aluminum Cans Limited	(i)	12	1,341
European Asia Industrial Limited	(i)	—	1,444
Total		11,326	14,327

- (i) European Asia Industrial, Euro Asia Packaging and Hong Kong Aluminum Cans Limited are related parties controlled by the ultimate shareholder of the Company. The sales and purchases between the companies were made on prices and conditions as mutually agreed.

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2019

13. RELATED PARTY TRANSACTIONS (Continued)

- (b) Outstanding balances with related parties:

The Group had an outstanding balance due from its related parties amounting to nil (31 December 2018: HK\$1,442,000) and due to its related parties controlled by the ultimate shareholder of the Company amounting to HK\$2,482,000 (31 December 2018: HK\$15,398,000) as at the end of the reporting period. This balance is unsecured, interest-free and has no fixed terms of repayment.

- (c) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Salaries, allowances and benefits in kind	798	1,091
Pension scheme contributions	15	10
Total compensation paid to key management personnel	813	1,101

14. SHARE OPTION SCHEME

The Company adopted a Pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and a share option scheme (the "Share Option Scheme"), approved by the written resolutions of the shareholders on 17 May 2019 (the "Resolutions").

Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme were effective on 21 June 2019 after all conditions have been fulfilled.

The purpose of the Pre-IPO Share Option Scheme is to recognise and motivate the contributions that certain executive and non-executive Directors, members of the senior management and other employees have made or may make to the Group. The principal terms of the Pre-IPO Share Option Scheme, approved by the Resolutions, are substantially the same as the terms of the Share Option Scheme except that:

- the subscription price per share under the Pre-IPO Share Option Scheme is HK\$2.17;
- the total number of shares which may be issued upon the exercise of all share options granted under the Pre-IPO Share Option Scheme is 7,765,000 shares, representing approximately 3.3% of the total issued share capital of the Company immediately after the completion of the listing;
- save for the share options which have been granted, no further share options will be granted under the Pre-IPO Share Option Scheme on or after 21 June 2019 (the "Listing Date"); and

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2019

14. SHARE OPTION SCHEME *(Continued)*

Pre-IPO Share Option Scheme (Continued)

The share options granted under the Pre-IPO Share Options Scheme are subject to the following vesting and exercise period:

Batch 1 50% of the share options shall become vested and exercisable on the 1st anniversary date of the Listing Date (the "1st Vesting Date"), and the exercise period in respect thereof shall commence on the 1st Vesting Date and end on the day immediately before the 10th anniversary date of the offer date (the "Expiration Date") (both dates inclusive).

Batch 2 50% of the share options shall become vested and exercisable on the 2nd anniversary date of the Listing Date (the "2nd Vesting Date"), and the exercise period in respect thereof shall commence on the 2nd Vesting Date and end on the Expiration Date (both dates inclusive).

A summary of option movements during the period is presented below:

	For the six months ended 30 June 2019	
	Weighted average exercise price HK\$ per share	Number of options
At 21 June 2019 (the effective date)	2.17	7,765,000
Forfeited during the period	2.17	—
At end of period	2.17	7,765,000

The fair value of the share options under the Pre-IPO Share Option Scheme granted was estimated at approximately HK\$6,023,000 of which the Group recognised a share option expense of HK\$113,000 during the six months ended 30 June 2019 (30 June 2018: nil).

The fair value of the share options under the Pre-IPO Share Option Scheme granted was estimated as at the date of grant, using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted. The following table lists the inputs to the model used:

	Batch 1	Batch 2
Dividend yield (%)	—	—
Expected volatility (%)	36.545%	36.545%
Risk-free interest rate (%)	1.946%	1.946%
Expected life of options (year)	10	10
Weighted average share price (HK\$ per share)	2.17	2.17

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2019

14. SHARE OPTION SCHEME *(Continued)*

Pre-IPO Share Option Scheme *(Continued)*

The expected life of the share options is not necessarily indicative of the exercise patterns that may occur. The expected volatility may not necessarily reflect the actual outcome.

No other feature of the share options granted was incorporated into the measurement of fair value.

No share option was exercised during the period. As at 30 June 2019, the Company had 7,765,000 share options outstanding under the Pre-IPO Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 7,765,000 additional ordinary shares of the Company and additional share capital of HK\$78,000 and share premium of HK\$7,687,000.

Share Option Scheme

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of: (a) motivate the Eligible Participants to optimise their performance and efficiency for the benefit of the Group; and (b) attract and retain or otherwise maintain ongoing business relationships with the Eligible Participants whose contributions are, will or expected to be beneficial to the Group.

The board of Directors (the "Board") may at its discretion grant options to eligible participants ("Eligible Participants"):

- (i) any Eligible Employees "Eligible Employees" means employees (whether full time or part time, including any executive Director but excluding any non-executive Director) of the Company, any subsidiary or any entity in which the Group holds at least 20% of its issued share capital ("Invested Entity");
- (ii) any non-executive Directors (including independent non-executive Directors) of the Company, any subsidiary or any Invested Entity;
- (iii) any supplier of goods or services to any member of the Group or any Invested Entity;
- (iv) any customer of any member of the Group or any Invested Entity;
- (v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;
- (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (vii) any advisor (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity;
- (viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group; and
- (ix) for the purposes of the Share Option Scheme, share options may be granted to any company wholly owned by one or more Eligible Participants.

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2019

14. SHARE OPTION SCHEME *(Continued)*

Share Option Scheme *(Continued)*

The exercise price in respect of any particular option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but the exercise price shall be at least the highest of: (a) the closing price of a share as stated in the Stock Exchange's daily quotation sheet on the offer date, which must be a business day; (b) the average closing price of a share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and (c) the nominal value of a share.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the Board, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of grant of the share options.

The maximum number of shares to be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share options granted and yet to be exercised under any other scheme of the Company shall not, in aggregate, exceed 10% of the total number of shares in issue on the Listing Date, i.e., 23,454,475 shares, and 30% of the shares of the Company in issue from time to time. The maximum number of shares issuable under share options to any Eligible Participant in the Share Option Scheme within any 12-month period up to and including the date of the grant is limited to 1% in aggregate of the shares of the Company in issue at the date of the grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or a substantial shareholder of the Company, or to any of their respective associates, are subject to approval in advance by the independent non-executive directors, excluding the independent non-executive director who or whose associates are the grantee. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK\$5,000,000, within any 12-month period up to and including the date of the grant, are subject to shareholders' approval in advance in a general meeting.

The Share Option Scheme became effective on 17 May 2019 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

As at 30 June 2019 and the date of approval of these interim condensed consolidated financial statements, no share option was granted and outstanding under the Share Option Scheme.

Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2019, interests or short positions in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) held by the Directors and chief executive of the Company which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") are as follows:

(i) Long positions in the Shares and underlying Shares of the shares options granted under the Pre-IPO Share Option Scheme of the Company

Names of Directors	Number of Ordinary Shares			Interests in underlying Shares	Total	Approximate percentage of the issued Shares (Note 2)
	Beneficial owner	Interest of family	Interests in a controlled corporation	Share options (Note 1)		
Ms. Ko Sau Mee ("Mrs. Lin")	–	107,788,500 (Note 3)	67,000,000 (Note 4)	500,000	175,288,500	74.74%
Ms. Lin Hing Lei	–	–	–	500,000	500,000	0.21%
Mr. Lin Hing Lung	–	–	–	500,000	500,000	0.21%
Mr. Yang Xiaoye	–	–	–	300,000	300,000	0.13%
Mr. Poon Tak Ching	368,000	–	–	–	368,000	0.16%

Notes:

- (1) These share options represent the awarded underlying Shares granted to the Directors under a pre-IPO share option scheme of the Company (the "Pre-IPO Share Option Scheme") which was adopted on 12 April 2019. Details of the Pre-IPO Share Option Scheme have been disclosed in the section headed "Pre-IPO Share Option Scheme".
- (2) These percentages have been compiled based on the total number of issued Shares as at 30 June 2019 (i.e. 234,544,750 Shares).
- (3) These Shares are held by Mr. Lin Wan Tsang, as Mrs. Lin is the spouse of Mr. Lin Wan Tsang, Mrs. Lin is deemed to be interested in all the Shares held by Mr. Lin Wan Tsang by virtue of the SFO.
- (4) These Shares are held by Wellmass International Limited ("Wellmass"), which is wholly and beneficially owned by Mr. Lin Wan Tsang. As Mrs. Lin is the spouse of Mr. Lin Wan Tsang, Mrs. Lin is deemed to be interested in all the Shares held by Mr. Lin Wan Tsang (through Wellmass) by virtue of the SFO.

Other Information

Save as disclosed above, none of the Directors or chief executive of the Company and/or any of their respective close associates had registered any interests or short positions in any Shares, underlying Shares in, and debentures of, the Company or any associated corporations as at 30 June 2019, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2019, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

(i) Long Positions in the Shares

Name of shareholder	Capacity/Nature of interests	Number of Shares held	Approximate percentage of issued Shares (Note 1)
Mr. Lin Wan Tsang	Beneficial Owner	107,788,500	45.96%
	Interest of spouse	500,000 (Note 2)	0.21%
	Interests in a controlled corporation	67,000,000 (Note 3)	28.57%
Wellmass	Beneficial Owner	67,000,000 (Note 3)	28.57%

Notes:

- (1) These percentages have been compiled based on the total number of issued Shares as at 30 June 2019 (i.e. 234,544,750 Shares).
- (2) These underlying Shares are held by Mrs. Lin, as Mr. Lin Wan Tsang is the spouse of Mrs. Lin, Mr. Lin Wan Tsang is deemed to be interested in all the Shares held by Mrs. Lin by virtue of the SFO.
- (3) These Shares are held by Wellmass, a company incorporated in the British Virgin Islands, and is solely and beneficially owned by Mr. Lin Wan Tsang.

Save as disclosed above, as at 30 June 2019, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or short position in the Shares or underlying Shares that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in this report, no transactions, arrangements or contracts of significance to which the Company, its parent company, its subsidiaries or fellow subsidiaries were a party and in which a Director or his connected entities had a material interest, either directly or indirectly, subsisted at the end of the period or at any time during the period.

Other Information

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the six months ended 30 June 2019 and up to the date of this report, none of the Directors or any of their respective close associates has engaged in any business that had competed or may compete with the business of the Group and any other conflict of interests which any such person had or might have with the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the sections headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above and "Pre-IPO Share Option Scheme" below, at no time during the six months ended 30 June 2019 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective close associates nor was the Company, its parent company, or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors, or their respective close associates to acquire such rights in any other body corporate.

PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME

The Company conditionally adopted the Pre-IPO Share Option Scheme on 12 April 2019, which became effective on 21 June 2019 (the "Listing Date") and options in respect of 7,765,000 Shares under the Pre-IPO Share Option Scheme had been granted on 17 May 2019. The Company also conditionally adopted a share option scheme on 12 April 2019 (the "Share Option Scheme"), which became effective on the Listing Date and no option had been granted by the Company up to the date of this report.

PRE-IPO SHARE OPTION SCHEME

The Company adopted the Pre-IPO Share Option Scheme on 12 April 2019 so as to recognize and motivate the contributions that certain executive and non-executive Directors, members of the senior management and other employees (the "Grantees") have made or may make to our Group.

Initially, options to subscribe for an aggregate of 7,765,000 Shares had been granted to the Grantees. The total number of securities available for issue under the Pre-IPO Share Option Scheme is 7,765,000 Shares, representing approximately 3.3% of the total issued Shares as at 30 June 2019. No further options will be granted by the Company pursuant to the Pre-IPO Share Option Scheme. The exercise price per Share is HK\$2.17. All options granted under the Pre-IPO Share Option Scheme on 17 May 2019 may be exercised in the following manner:

Exercise Period	Maximum percentage of options exercisable
Commencing on the first anniversary date of the Listing Date upon certain fulfillment of certain conditions and ending on the 10th anniversary date of the offer date (the "Expiration Date") (both dates inclusive)	50% of the total number of options granted to each of the Grantees
Commencing on the second anniversary date of the Listing Date upon certain fulfillment of certain conditions and ending on the Expiration Date (both dates inclusive)	50% of the total number of options granted to each of the Grantees

Other Information

PRE-IPO SHARE OPTION SCHEME (Continued)

An option may be exercised in accordance with the terms of the Pre-IPO Share Option Scheme at any time during a period as the Board may determine which shall not exceed 10 years from the Listing Date subject to the provisions of early termination thereof. Each of the Grantees is required to pay HK\$1.00 on acceptance of the options granted under the Pre-IPO Share Option Scheme.

Set out below is further information on the outstanding share options granted under the Pre-IPO Share Option Scheme as at 30 June 2019:

Names of the Grantees	Number of share options					Outstanding as at 30 June 2019	Exercise price per Share HK\$	Weighted average closing price of the Share before the date(s) of which shares options were exercised HK\$
	Outstanding as at 1 January 2019	Granted during the period (Note)	Exercised during the period	Lapsed during the period	Cancelled during the period			
Directors								
Ms. Ko Sau Mee	-	500,000	-	-	-	500,000	2.17	-
Mr. Lin Hing Lei	-	500,000	-	-	-	500,000	2.17	-
Ms. Lin Hing Lung	-	500,000	-	-	-	500,000	2.17	-
Mr. Yang Xiaoye	-	300,000	-	-	-	300,000	2.17	-
Others								
Employees	-	5,965,000	-	-	-	5,965,000	2.17	-
Total	-	7,765,000	-	-	-	7,765,000		

Note: Options to subscribe for an aggregate of 7,765,000 Shares had been granted to the Grantees under the Pre-IPO Share Option Scheme on 17 May 2019.

Save as disclosed, during the six months ended 30 June 2019, no share options were granted, exercised, lapsed and cancelled under the Pre-IPO Share Option Scheme.

Further details of the Pre-IPO Share Option Scheme are set out in note 14 to the interim condensed consolidated financial statements.

Other Information

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 12 April 2019, which became effective on the Listing Date.

The Share Option Scheme is a share incentive scheme and is established to recognize and motivate the contributions that eligible participants (as defined in the Prospectus) have made or may make to the Group.

Subject to the terms and conditions of the Share Option Scheme, the maximum numbers of Shares in respect of which options may be granted under the Share Option Scheme and any other schemes shall not, in aggregate, exceed 10% of the Shares in issue as at the Listing Date (i.e. 23,454,475 Shares) unless approved by the shareholders of the Company.

Subject to earlier termination by the Company in general meeting or by the Directors, the Share Option Scheme shall be valid and effective for a period of ten years from the date of adoption. No share option has been granted, exercised, lapsed or cancelled under the Share Option Scheme up to the date of this report.

GROUP REORGANIZATION

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 4 May 2018. Pursuant to a reorganization scheme to rationalize the structure of the Group in preparation for the listing of the Shares on the Stock Exchange, the Company became the holding company of the companies now comprising the Group on 15 May 2019. For details of the group reorganization, please refer to the paragraph headed "Corporate Reorganisation" in Appendix V "Statutory and General Information" to the prospectus of the Company dated 3 June 2019.

The Shares have been listed on the Main Board of the Stock Exchange since 21 June 2019.

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.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was established on 27 May 2019 with specific written terms of reference in compliance with the CG Code for the purpose of making recommendations to the Board regarding the Group's policy and structure for all remuneration of Directors and senior management and approving the remuneration package of the individual executive Directors, the specific duties set out in CG Code provisions B.1.2(a) to (h). The Remuneration Committee comprises a total of four members, being one executive Director, namely, Ms. Ko Sau Mee and three independent non-executive Directors, namely, Mr. Pang Cheung Wai, Thomas, SBS, JP (Chairman), Mr. Lee Yiu Pui and Mr. Poon Tak Ching. Accordingly, a majority of the members are independent non-executive Directors.

Other Information

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") was established on 27 May 2019 with specific written terms of reference in compliance with the CG Code for the purpose of reviewing the Board composition, developing the relevant procedures for nomination and appointment of Directors and assessing the independence of independent non-executive Directors to ensure that the Board has a balance of expertise, skills and experience and formulating succession plans for executive Directors and senior executives. The Nomination Committee comprises a total of four members, being one executive Director, namely, Ms. Ko Sau Mee, and three independent non-executive Directors, namely, Mr. Lee Yiu Pui (Chairman), Mr. Poon Tak Ching and Mr. Pang Cheung Wai, Thomas, SBS, JP. Accordingly, a majority of the members are independent non-executive Directors.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors' knowledge, information and belief, the Company had maintained sufficient public float of not less than 25% of its total issued Shares as required under the Listing Rules for the six months ended 30 June 2019 and to the date of this report.

Other Information

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.

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 Chief Executive Officer

Hong Kong
28 August 2019