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PRECIOUS DRAGON TECHNOLOGY HOLDINGS LIMITED

保寶龍科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1861)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF 30% EQUITY INTEREST IN GUANGZHOU EURO ASIA AEROSOL & HOUSEHOLD PRODUCTS MANUFACTURE CO., LIMITED*

Financial Adviser to the Company



RAINBOW CAPITAL (HK) LIMITED
宏博資本有限公司

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



THE ACQUISITION

The Board is pleased to announce that on 4 September 2020 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, 30% of the issued share capital of the Target Company, at the Consideration of HK\$120,000,000 in cash.

Upon Completion, the Purchaser's equity interest in the Target Company will increase from 70% to 100%, and the financial information of the Target Company will continue to be consolidated into the financial statements of the Group.

The Target Company is principally engaged in the design, development, manufacture and sale of personal care products (such as hand sanitiser, foaming facial wash, sunscreen, moisturiser, deodoriser and hand wash) and other products including household products (such as paint and floor polish).

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the Vendor is wholly-owned by Mr. Lin, the controlling Shareholder, the Vendor is regarded as a connected person of the Company. As such, the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The Acquisition is therefore subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. Lin has a material interest in the Acquisition, he and his associates shall abstain from voting at the EGM in respect of the Acquisition. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, apart from Mr. Lin and his associates, which are interested in approximately 74.84% of the issued share capital of the Company, no other Shareholder has a material interest in the Acquisition which is different from the other Shareholders, and is required to abstain from voting in respect of the Acquisition at the EGM under the Listing Rules.

GENERAL

An Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lee Yiu Pui, Mr. Poon Tak Ching and Mr. Pang Cheung Wai Thomas, has been established by the Company to provide a recommendation to the Independent Shareholders in respect of the Acquisition. Opus Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder. A circular containing, among other things, (i) further details of the Acquisition; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Acquisition; (iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition; (iv) the financial information of the Target Company; (v) a notice convening the EGM; and (vi) other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 25 September 2020.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfillment of the conditions precedent as set out in the Sale and Purchase Agreement. Accordingly, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are therefore reminded to exercise caution when dealing in the securities of the Company.

INTRODUCTION

References are made to (i) the announcements of China Aluminum Cans dated 30 November 2017 and 2 February 2018 and the circular of China Aluminum Cans dated 15 December 2017, in relation to the acquisition by the Purchaser of 70% of the issued share capital of the Target Company (the “**Previous Acquisition**”); and (ii) the announcements of China Aluminum Cans dated 28 September 2018, 2 April 2019, 17 May 2019 and 29 May 2019 in relation to the spin-off and separate listing of the Shares on the Main Board of the Stock Exchange (the “**Spin-off**”).

The Previous Acquisition

On 30 November 2017, the Purchaser, an indirect wholly-owned subsidiary of China Aluminum Cans prior to completion of the Spin-off, and the Vendor entered into a sale and purchase agreement, pursuant to which the Purchaser agreed to acquire 70% of the issued share capital of the Target Company from the Vendor. The Previous Acquisition was approved by the then independent shareholders of China Aluminum Cans on 10 January 2018. Upon completion of the Previous Acquisition on 29 March 2018, the Target Company became a non-wholly owned subsidiary of China Aluminum Cans.

The Spin-off

On 28 September 2018, China Aluminum Cans proposed to carry out a spin-off and separate listing of the Shares on the Main Board of the Stock Exchange by way of introduction implemented by means of a distribution in specie of the entire issued share capital of the Company owned by China Aluminum Cans to its shareholders. The Company indirectly wholly-owned the Purchaser which in turn held 70% of the issued share capital of the Target Company.

On 29 May 2019, the board of directors of China Aluminum Cans approved the Spin-off and declared a conditional distribution in specie of the entire issued share capital of the Company held by China Aluminum Cans to its shareholders whose names appear on the register of members of China Aluminum Cans on 14 June 2019.

The Spin-off was completed and the Shares were listed on the Main Board of the Stock Exchange on 21 June 2019.

The Acquisition

The Board is pleased to announce that on 4 September 2020 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the remaining 30% of the issued share capital of the Target Company, at the Consideration of HK\$120,000,000 in cash.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are summarised as follows:

Date

4 September 2020

Parties

- (i) China Medical Beauty Bio-Technology Company Limited, as the Purchaser; and
- (ii) European Asia Industrial Limited, as the Vendor

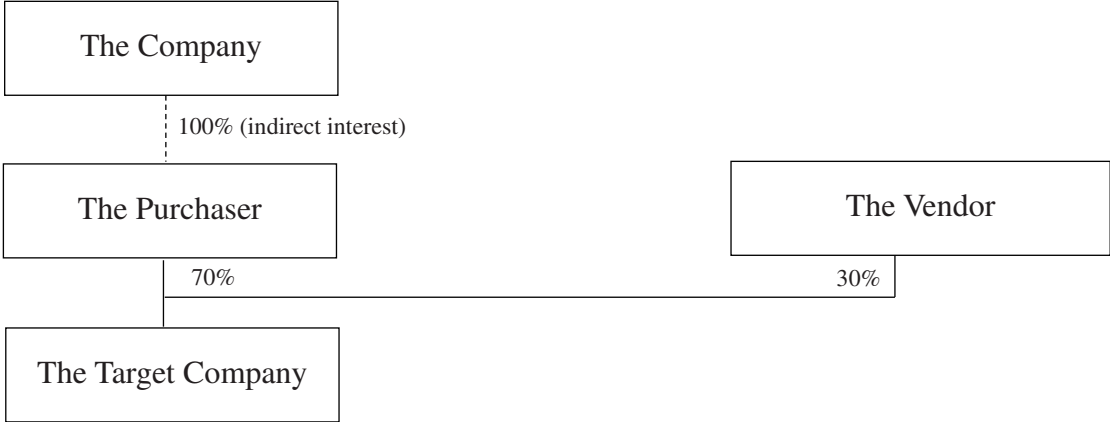
The Vendor is an investment holding and trading company and is wholly-owned by Mr. Lin, the controlling Shareholder. As a result, the Vendor is a connected person of the Company under Chapter 14A of the Listing Rules.

Target to be acquired

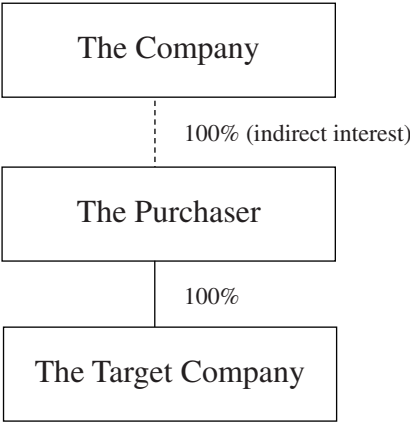
Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the remaining 30% of the issued share capital of the Target Company, free from all encumbrances and other third-party rights and with all rights and interests attaching thereto (including all dividends declared or paid after Completion, whether arising from profits before or after Completion). Details of the Target Company are set out in the section headed “Information on the Target Company” below.

Set out below is a simplified shareholding structure of the Target Company (i) as at the date of this announcement; and (ii) immediately upon Completion:

(i) As at the date of this announcement



(ii) Immediately upon Completion



Consideration

The Consideration is HK\$120,000,000, which shall be satisfied by cash on the Completion Date. The Company intends to fund the Consideration by the Group’s banking facilities.

The Consideration was determined after arm’s length negotiations between the Vendor and the Purchaser with reference to, among other things, (i) the reasons for and benefits of the Acquisition, including the business prospects of the Target Company, as set out in the section headed “Reasons for and benefits of the Acquisition” below; (ii) the financial performance of the Target Company as set out in the section headed “Information on the Target Company” below; (iii) the price-to-earnings multiples of comparable listed companies which are principally engaged in manufacture and sales of aerosol products; and (iv) the market value of

the land (the “**Land**”) owned by the Target Company as at 31 August 2020 as appraised by Valquest Advisory (Hong Kong) Limited, an independent valuer, using the market approach. For details of the Land, please refer to the section headed “Information on the Target Company” below.

In the light of the above factors, the Directors (excluding the independent non-executive Directors who will form their opinion after reviewing the letter from the Independent Financial Adviser) consider that the Consideration is fair and reasonable.

Conditions precedent

Completion is conditional upon, among other things, the fulfilment of the following conditions:

- (i) the passing by the Independent Shareholders in accordance with the Listing Rules and all applicable laws at the EGM of the resolution approving the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (ii) the obtaining by the Company and the Purchaser of all necessary consents, approvals and permissions from relevant organisations, institutions, government and regulatory authorities (including the Stock Exchange) in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder (if applicable); and
- (iii) all the representations, warranties and undertakings of the Vendor remaining true and accurate as at Completion, for which the Vendor shall have performed or complied with at or before Completion (as the case may be).

None of the above conditions can be waived. As at the date of this announcement, none of the above conditions has been fulfilled.

If the above conditions have not been fulfilled by the Purchaser on or before 30 November 2020, the Sale and Purchase Agreement shall, subject to certain provisions of the Sale and Purchase Agreement and the liability of any party to the other in respect of any antecedent breaches of the terms of the Sale and Purchase Agreement, cease to have effect.

Completion

Completion shall take place on the Completion Date when all conditions set out in the Sale and Purchase Agreement have been fulfilled.

Upon Completion, the Company's equity interest in the Target Company will increase from 70% to 100%, and the financial information of the Target Company will continue to be consolidated into the financial statements of the Group.

INFORMATION ON THE GROUP

The Group is 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. The Group also designs, develops, manufactures and sells personal care products (such as hand sanitiser, foaming facial wash, sunscreen, moisturiser, deodoriser and hand wash) and other products including household products (such as paint and floor polish) through its 70% equity interest in the Target Company. The Group primarily generates its revenue from the PRC, Japan, Asia and the United States.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated on 17 April 2006 in the PRC with limited liability and is primarily engaged in the design, development, manufacture and sale of personal care products. The Target Company sells its products in the PRC and overseas markets, including the United States and Japan. The registered capital of the Target Company is US\$3 million.

Currently, the Target Company conducts its operation in the factory (the "**Factory**") located at No.388 North Jufeng Road, Aotou Town, Conghua City, Guangdong Province, the PRC (廣州從化鰲頭鎮聚豐北路388號) with a gross floor area of 1,500 square metres which is leased from the Group. The Target Company owns a piece of bare land (i.e. the Land) near the Factory with a site area of 63,623 square metres. As at the date of this announcement, the Group intends to build a production complex on the Land, which consists of warehouses and production facilities for manufacturing of cosmetic products.

Set out below is the unaudited financial information of the Target Company for the two years ended 31 December 2019 and the six months ended 30 June 2020, which were prepared in accordance with the International Financial Reporting Standards:

	For the year ended		For the six
	31 December		months ended
	2018	2019	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	126,653	56,444	144,560
Profit before taxation	23,354	3,079	43,914
Profit after taxation	17,457	2,337	32,902

The unaudited net asset value of the Target Company as at 30 June 2020 was approximately HK\$58.8 million.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Upon completion of the Previous Acquisition on 29 March 2018, the Target Company was owned as to 70% by the Purchaser and the financial results of the Target Company were consolidated into those of China Aluminum Cans. After completion of the Spin-off on 21 June 2019, the Company, which indirectly held 70% of the issued share capital of the Target Company, was separately listed on the Main Board of the Stock Exchange. The Previous Acquisition enabled the Group to expand its product portfolio to cover personal care products which generally entail relatively high gross profit margins as compared to automotive beauty and maintenance products. The Group designs, develops, manufactures and sells personal care products through the Target Company.

For the three years ended 31 December 2019, revenue generated by the Target Company amounted to approximately HK\$66.4 million, HK\$126.7 million and HK\$56.4 million, representing approximately 12.8%, 20.7% and 10.1% of the Group's total revenue, respectively. The significant increase for the year ended 31 December 2018 indicated an increasing demand for personal care products. In June 2018, in view of the growth in the sales of personal care products, the Group installed a new dyadic packaging production line for the production of personal care products. The significant decrease for the year ended 31 December 2019 was mainly due to the significant drop in sales to customers located in the United States caused by the Sino-US trade war.

For the six months ended 30 June 2020, as a result of the development of a series of new sanitizer products to meet the increasing demand under the COVID-19 pandemic, revenue of the Target Company increased remarkably by approximately 278.8% to approximately HK\$144.6 million, as compared to the corresponding period in 2019, representing approximately 42.0% of the Group's total revenue. According to a report issued by ReportLinker, a market research publisher, in June 2020, the global hand sanitizer market is projected to grow at a compound annual growth rate ("CAGR") of 15% during the period from 2020 to 2025 as sanitizer use is now being treated as a major preventive measure to avoid spread of communicable diseases, especially COVID-19. Such growth is driven by, among other things, growing consumer preference on health and wellness as well as rising awareness about health and hygiene. The Directors consider that there is a growth potential in the sanitizer product market which forms part of the Group's personal care product segment.

Taking into account (i) that the Target Company has been an important contributor to the Group's revenue and profit; (ii) the significant growth in revenue of the Target Company from approximately HK\$66.4 million for the year ended 31 December 2017 to approximately HK\$144.6 million for the six months ended 30 June 2020, representing a CAGR of approximately 36.5%; and (iii) the market potential of the Group's new sanitizer products, the Directors (excluding the independent non-executive Directors who will form their opinion after reviewing the letter from the Independent Financial Adviser) consider that the Acquisition represents an opportunity for the Group to further consolidate its interest in the Target Company which gives the Group greater flexibility for implementing integration strategies to release the potential and value of the Target Company's business and contributes to the cash flow and profitability of the Group should the Target Company continue to perform in future, and that the terms of the Sale and Purchase Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the Vendor is wholly-owned by Mr. Lin, the controlling Shareholder, the Vendor is regarded as a connected person of the Company. As such, the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The Acquisition is therefore subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. Lin has a material interest in the Acquisition, he and his associates shall abstain from voting at the EGM in respect of the Acquisition. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, apart from Mr. Lin and his associates, which are interested in approximately 74.84% of the issued share capital of the Company, no other Shareholder has a material interest in the Acquisition which is different from the other Shareholders, and is required to abstain from voting in respect of the Acquisition at the EGM under the Listing Rules.

GENERAL

An Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lee Yiu Pui, Mr. Poon Tak Ching and Mr. Pang Cheung Wai Thomas, has been established by the Company to provide a recommendation to the Independent Shareholders in respect of the Acquisition. Opus Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder. A circular containing, among other things, (i) further details of the Acquisition; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Acquisition; (iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition; (iv) the financial information of the Target Company; (v) a notice convening the EGM; and (vi) other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 25 September 2020.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfillment of the conditions precedent as set out in the Sale and Purchase Agreement. Accordingly, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are therefore reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meaning ascribed to them below:

“Acquisition”	the proposed acquisition by the Purchaser of 30% of the issued share capital of the Target Company pursuant to the terms and conditions of the Sale and Purchase Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“China Aluminum Cans”	China Aluminum Cans Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 6898)
“Company”	Precious Dragon Technology Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability on 4 May 2018, the shares of which are listed on the main board of the Stock Exchange (stock code: 1861)
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	the date of Completion
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of HK\$120,000,000 for the Acquisition
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	an independent board committee of the Company, comprising the three independent non-executive Directors, namely Mr. Lee Yiu Pui, Mr. Poon Tak Ching and Mr. Pang Cheung Wai Thomas, formed for the purpose of advising and giving recommendation to the Independent Shareholders in respect of the Acquisition
“Independent Financial Adviser” or “Opus Capital”	Opus Capital Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition
“Independent Shareholders”	the Shareholders, other than Mr. Lin and his associates, who are entitled to vote at the EGM in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder pursuant to the Listing Rules and all applicable laws
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Lin”	Mr. Lin Wan Tsang, the controlling Shareholder
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement
“Purchaser”	China Medical Beauty Bio-Technology Company Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company

“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 4 September 2020 entered into between the Purchaser and the Vendor in relation to the Acquisition
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	the holder(s) of the Share(s)
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	廣州歐亞氣霧劑與日化用品製造有限公司 (Guangzhou Euro Asia Aerosol & Household Products Manufacture Co., Limited*), a company incorporated in the PRC with limited liability and owned as to 70% and 30% by the Purchaser and the Vendor, respectively, as at the date of this announcement
“US\$”	United States dollars, the lawful currency of the United States of America
“Vendor”	European Asia Industrial Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by Mr. Lin as at the date of this announcement
“%”	per cent.

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

Hong Kong, 4 September 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*