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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)

DISCLOSEABLE TRANSACTION IN RELATION TO CONSTRUCTION AGREEMENTS FOR THE NEW PRODUCTION PLANT IN THAILAND

Financial Adviser to the Company

RAINBOW.

RAINBOW CAPITAL (HK) LIMITED
滋博資本有限公司

THE CONSTRUCTION AGREEMENTS

The Board is pleased to announce that on 12 April 2021 (after trading hours), Precious Dragon Thai, a wholly-owned subsidiary of the Company, entered into a construction agreement with each of State Construction and S.P. 64 in relation to the design and construction of the Factory on the Land at a total contract sum (including value-added tax and other applicable tax) of Baht 124,956,873.30 (equivalent to approximately HK\$30.8 million) and Baht 90,933,982.46 (equivalent to approximately HK\$22.4 million), respectively. Pursuant to the Construction Agreements, the Contractors will, among other things, perform structural and architectural works for the Factory including production lines, warehouse and office.

LISTING RULES IMPLICATION

As the highest applicable percentage ratio under the Listing Rules in respect of the Construction Agreements in aggregate exceeds 5% but is less than 25%, the transactions contemplated under the Construction Agreements constitute a discloseable transaction for the Company and is subject to the announcement and reporting requirements under Chapter 14 of the Listing Rules.

Reference is made to (i) the announcement of the Company dated 10 June 2020 in relation to acquisition of a land in Thailand for the construction of the Factory in Thailand, which was completed on 22 July 2020; and (ii) the announcement of the Company dated 11 November 2020 in relation to the entering into of letters of intent for the construction of the Factory (the “**Announcements**”).

INTRODUCTION

On 12 April 2021 (after trading hours), Precious Dragon Thai, a wholly-owned subsidiary of the Company, entered into a construction agreement with each of State Construction and S.P. 64 in relation to the design and construction of the Factory on the Land at a total contract sum (including value-added tax and other applicable tax) of Baht 124,956,873.30 (equivalent to approximately HK\$30.8 million) and Baht 90,933,982.46 (equivalent to approximately HK\$22.4 million), respectively. Pursuant to the Construction Agreements, the Contractors will, among other things, perform structural and architectural works for the Factory including production lines, warehouse and office.

PRINCIPAL TERMS OF THE CONSTRUCTION AGREEMENTS

Date : 12 April 2021

Parties : (i) Precious Dragon Thai; and
(ii) each of State Construction and S.P. 64

To the best of the Directors’ knowledge, information and belief, after having made all reasonable enquiries, the controlling shareholders of S.P. 64 and State Construction are Mr. Chaitanawat Charoenkitworawut and Mr. Supakit Patcharaporn, respectively, which are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

Subject matter : Pursuant to the Construction Agreements, each of State Construction and S.P. 64 shall be responsible for the design and construction work in relation to the Factory, including but not limited to the design and construction of (i) warehouse building; (ii) office building; (iii) utility building; (iv) external works; (v) mechanical, electrical and plumbing (MEP) system works; and (vi) other related works (collectively, the “**Contract Works**”).

Consideration : The contract sums (including value-added tax and other applicable tax) of the Construction Agreements with State Construction and S.P. 64 are Baht 124,956,873.30 (equivalent to approximately HK\$30.8 million) and Baht 90,933,982.46 (equivalent to approximately HK\$22.4 million), respectively.

The contract sums under the Construction Agreements were determined based on arm's length negotiation between the parties with reference to the proposed design and construction work for the Factory and the relevant experience of the Contractors.

The Group is expected to finance the above contract sums by a combination of internal resources and external borrowings.

Advance payment (the "**Advance Payment**") : An advance payment equivalent to Baht 12,495,687.33 (equivalent to approximately HK\$3.1 million), being 10% of the contact value, has been made to State Construction in exchange for a bank guarantee.

An advance payment equivalent to Baht 4,546,699.12 (equivalent to approximately HK\$1.1 million), being 5% of the contact value, has been made to S.P. 64 in exchange for a bank guarantee.

Payment term : Precious Dragon Thai shall pay to the Contractors on a monthly basis based on the actual value of work completed.

The Contractors shall submit an application for payment to the project manager (the "**PM**") appointed by Precious Dragon Thai in each month. Payment certifications shall be issued by the PM no more 7 days from the receipt of all information necessary to assess the actual value of work completed. Payment will be made by Precious Dragon Thai to the Contractors within 30 days following the aforesaid certification of the Contractors' application for payment.

The payment amount of each monthly bill shall be deducted by (i) 10% of the gross bill for State Construction or 5% of the gross bill for S.P. 64 until the amount of the Advance Payment is recovered; and (ii) retention money (the “**Retention Money**”) equivalent to 5% of the gross bill.

The Retention Money shall be released to the Contractors after completion of the Contract Works and issuance of the certificate of final completion of the Contract Works by the PM to the Contractors.

Completion : The Contractors shall complete the Contract Works on or before 15 June 2021.

Upon completion of the Contract Works, the Contractors shall confirm that the Contract Works are in accordance with the Construction Agreements and inform the PM in writing to inspect the Contract Works in the presence of the Contractors. If the Contract Works pass the inspection, the PM shall issue the certificate of final completion to the Contractors.

Maintenance period : The Contractors shall make good any defect of the Contract Works during the period of 365 days from the date the Contract Works are received.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSTRUCTION AGREEMENTS

The Group is principally engaged in the content filling of aerosol cans, as well as the production and sales of aerosol and non-aerosol products. The Group’s products include automotive beauty and maintenance products, personal care products and other products. The Group mainly operates its businesses in Mainland China, Japan, Middle East, the United States and Asia.

As disclosed in the Announcements, the construction of the Factory is in line with the Group’s plan to build and develop an overseas manufacturing plant and will, upon completion and operation of the Factory, enable the Group to (i) cope with the changes and impacts that may result from the Sino-US trade war and other international trade barriers; (ii) benefit from the lower cost of raw materials from the

surrounding area, enhancing the competitiveness of the Group's products in Asia; and (iii) diversify the operational risk arising from the increasingly stringent health, safety and environmental policies, laws and regulations in the PRC. As such, the Group entered into the Construction Agreements with the Contractors on 12 April 2021 for the design and construction of the Factory.

Based on the above, the Directors consider that the Construction Agreements were entered into after arm's length negotiation and on normal commercial terms which are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP AND THE CONTRACTORS

The Group is principally engaged in the content filling of aerosol cans, as well as the production and sales of aerosol and non-aerosol products. The Group's products include automotive beauty and maintenance products, personal care products and other products. The Group mainly operates its businesses in Mainland China, Japan, Middle East, the United States and Asia.

State Construction and S.P.64 are validly existing under the laws of Thailand and are principally engaged in engineering and construction.

LISTING RULES IMPLICATION

As the highest applicable percentage ratio under the Listing Rules in respect of the Construction Agreements in aggregate exceeds 5% but is less than 25%, the transactions contemplated under the Construction Agreements constitute a discloseable transaction for the Company and is subject to the announcement and reporting requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Baht”	Baht, the lawful currency of Thailand
“Board”	the board of Directors
“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)

“Construction Agreements”	the construction agreements dated 12 April 2021 entered into between Precious Dragon Thai and Contractors in relation to the design and construction of the Factory
“Contractors”	State Construction and S.P. 64
“Director(s)”	the director(s) of the Company
“Factory”	the production plant to be constructed on the Land pursuant to the Construction Agreements
“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
“Land”	the land situated in Pinthong Industrial Estate Project 3 at the following address: 219 Moo 6, Bowin Sub-district, Sriracha District, Chonburi Province 20230, Plot No. G016, with the Title Deed No. 170459, Land Range No. 5235 III 2248,2448, Land No. 5101, Survey Page no. 22333, covering a total area of 36,983.20 square meters
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Precious Dragon Thai”	Precious Dragon Technology Thai Limited, a limited company incorporated in Thailand and a wholly-own subsidiary of the Company
“Shareholders”	holders of ordinary shares of the Company
“S.P. 64”	S.P. 64 KARNCHANG Co., Ltd., a company validly existing under the laws of Thailand
“State Construction”	State Construction Co., Ltd., a company validly existing under the laws of Thailand

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“Thailand”

the Kingdom of Thailand

“%”

per cent.

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

Hong Kong, 12 April 2021

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.

Amounts denominated in Baht in this announcement have been converted into HK\$ at the rate of HK\$ 1 = Baht 4.0560 as extracted from Bloomberg as at 12 April 2021. This rate is for the purpose of illustration only and does not constitute a representation that any amount has been, could have been converted at the above rate or any other rates.