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SUCCESS DRAGON INTERNATIONAL HOLDINGS LIMITED

勝龍國際控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1182)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

The board of directors (the “Board”) of Success Dragon International Holdings Limited (the “Company”) announces that the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2019 (the “Period”) together with the comparative figures for the corresponding period are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019

		Six months ended	
		30 September	
		2019	2018
		HK\$'000	HK\$'000
	<i>Notes</i>	(Unaudited)	(Unaudited)
Revenue	6	44,276	43,620
Cost of sales		<u>(29,983)</u>	<u>(31,175)</u>
Gross profit		14,293	12,445
Other gain or loss, net	6	432	667
Selling and distribution costs		(3,210)	(2,469)
Administrative and other operating expenses		<u>(16,618)</u>	<u>(23,613)</u>
Loss from operations		(5,103)	(12,970)
Finance costs	7	(1,178)	(569)
Share of loss of an associate		<u>(624)</u>	<u>—</u>
Loss before tax		(6,905)	(13,539)
Income tax	8	<u>—</u>	<u>—</u>
Loss for the period	9	<u>(6,905)</u>	<u>(13,539)</u>

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
<i>Notes</i>	(Unaudited)	(Unaudited)
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	—	31
	<u>—</u>	<u>31</u>
Total other comprehensive income for the period, net of tax	<u>—</u>	<u>31</u>
Total comprehensive loss for the period	<u>(6,905)</u>	<u>(13,508)</u>
Loss per share (HK cents per share)		
<i>Basic and diluted loss per share</i>	<u>(0.29)</u>	<u>(0.64)</u>
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

		30 September 2019 <i>HK\$'000</i> (Unaudited)	31 March 2019 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	12	5,969	7,630
Investment in an associate	13	3,782	—
Right-of-use assets		524	—
Goodwill		433	433
		10,708	8,063
Current assets			
Equity investments at fair value through other comprehensive income	14	—	—
Inventories		145	249
Trade receivables	16	28	58
Loan receivables	17	32,227	26,664
Deposits and other receivables	15	14,988	13,294
Bank and cash balances		11,277	24,179
		58,665	64,444
Current liabilities			
Other payables and accruals		7,370	12,971
Lease liabilities		536	—
Amount due to a director	19	10	159
Other loans	18	27,365	18,380
		35,281	31,510
Net current assets		23,384	32,934
NET ASSETS		34,092	40,997
Capital and reserves			
Share capital	20	23,663	23,663
Reserves		10,429	17,334
TOTAL EQUITY		34,092	40,997

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

1. GENERAL INFORMATION

Success Dragon International Holdings Limited (the “Company”) is incorporated in Bermuda as an exempted company with limited liability under the Bermuda Companies Act. The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of the principal place of business of the Company is changed from Unit 403A, 4/F., Block B, Sea View Estate, 4–6 Watson Road, North Point, Hong Kong to Room 903, 9/F., Tower A, New Mandarin Plaza, 14 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The principal activity of the Company is investment holding and the principal activities of the Group are provision of outsourced business process management for electronic gaming machines in Macau, provision of money lending services in Hong Kong and information technology services.

2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed consolidated financial statements should be read in conjunction with the 2019 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2019 except as stated below.

Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset’s useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Land and buildings	50%
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Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group’s incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US\$5,000.

Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in associates is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associate are eliminated to the extent of the Group's interests in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associate have been changed where necessary to ensure consistency with the policies adopted by the Group.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2019. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years except as stated below.

HKFRS 16

The Group was initially applied HKFRS 16 “Leases” with effect from 1 April 2019 and has taken transitional provisions and methods not to restate comparative information for prior period.

On adoption of HKFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under HKAS 17 “Leases”, resulted in changes in the consolidated amounts reported in the financial statement as follows:

The significant accounting policies applied in the preparation of these condensed consolidated financial statements are set out below.

	1 April 2019 <i>HK\$’000</i>
At 1 April 2019:	
Increase in right-of-use assets	1,052
Increase in lease liabilities	<u>(1,052)</u>

The reconciliation of operating lease commitment to lease liabilities as at 1 April 2019 is set out below:

	<i>HK\$’000</i>
Operating lease commitment at 31 March 2019	1,065
Less:	
Discounting	<u>(13)</u>
Lease liabilities as at 1 April 2019	<u>1,052</u>

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

4. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy:

Fair value measurements as at 30 September 2019 using:

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Recurring fair value measurements:				
Equity investments at fair value through other comprehensive income				
Private equity investments	—	—	—	—
	—	—	—	—
Total recurring fair value measurements	—	—	—	—

Fair value measurements as at 31 March 2019 using:

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Recurring fair value measurements:				
Equity investments at fair value through other comprehensive income				
Private equity investments	—	—	—	—
	—	—	—	—
Total recurring fair value measurements	—	—	—	—

During the period, there were no transfer between Level 1 and Level 2, or transfers into or out of Level 3 (31 March 2019: nil). The Group's policy is to recognise transfer between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The Group's finance team are responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. Discussions of valuation process and results are held between the financial controller and the board ("Board") of directors of the Company ("Directors") at least twice a year.

The level 3 fair value measurements as at 31 March 2019 were valued at their fair value by Savills Valuation and Professional Services Limited, an independent professionally qualified valuer which holds a recognised relevant professional qualification and has recent experience in valuation.

(b) Reconciliation of assets measured at fair value based on level 3:

	Equity investments at fair value through other comprehensive income <i>HK\$'000</i>
At 1 April 2018	54,157
Total gains or losses recognised in other comprehensive income	<u>(54,157)</u>
At 31 March 2019, 1 April 2019 and 30 September 2019	<u><u>—</u></u>

The total gains or losses recognised in other comprehensive income are presented in fair value changes of equity investments at fair value through other comprehensive income in the condensed consolidated statement of profit or loss and other comprehensive income.

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements are:

Key unobservable inputs used in level 3 fair value measurements are mainly:

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value as at 30 September 2019 <i>HK\$'000</i>
Equity investments at fair value through other comprehensive income	Asset approach	Financial position	Net liabilities of approximately United State Dollar ("USD") 8.96 million as at 30 September 2019	Decrease	
		Historical financial result	Net loss for the years ended 31 December 2016, 2017 and 2018 of approximately USD11.54 million, USD14.36 million and USD13.95 million respectively	Decrease	<u><u>—</u></u>

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value as at 31 March 2019 <i>HK\$'000</i>
Equity investments at fair value through other comprehensive income	Asset approach	Financial position	Net liabilities of approximately United State Dollar (“USD”) 6.38 million as at 31 March 2019	Decrease	
		Historical financial result	Net loss for the years ended 31 December 2016, 2017 and 2018 of approximately USD11.54 million, USD14.36 million and USD13.95 million respectively	Decrease	—

5. SEGMENT INFORMATION

For management purpose, the Group’s operating segments and their principal activities are as follows:

Outsourced business process management — Provision of services on management of electronic gaming equipment in Macau

Information technology services — Provision of information technology services

Money lending services — Provision of money lending services in Hong Kong

The Group’s reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Information regarding the above segment is reported below.

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

	For the six-month period ended 30 September							
	Outsourced business process management		Information technology services		Money lending services		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
REVENUE:								
Revenue from external customers	<u>42,012</u>	<u>43,620</u>	<u>—</u>	<u>—</u>	<u>2,264</u>	<u>—</u>	<u>44,276</u>	<u>43,620</u>
Segment (loss)/profit	<u>(1,735)</u>	<u>(6,516)</u>	<u>(7)</u>	<u>—</u>	<u>1,962</u>	<u>—</u>	<u>220</u>	<u>(6,516)</u>
Interest income							1	—
Unallocated income							23	34
Unallocated corporate expenses							(5,347)	(6,488)
Share of loss of an associate							(624)	—
Finance costs							<u>(1,178)</u>	<u>(569)</u>
Loss before tax							<u>(6,905)</u>	<u>(13,539)</u>

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment (loss)/profit represents the (loss)/profit of each segment without allocation of interest income, finance costs and unallocated income and expenses. This is the measure reported to the chief operating decision maker of the Group for the purposes of resource allocation and assessment of segment performance.

(b) Segment assets and liabilities

	At 30 September 2019 <i>HK\$'000</i> (Unaudited)	At 31 March 2019 <i>HK\$'000</i> (Audited)
Segment assets		
Outsourced business process management	11,450	13,023
Information technology services	28	58
Money lending services	36,412	29,382
	<hr/>	<hr/>
Total segment assets	47,890	42,463
Other unallocated assets	21,483	30,044
	<hr/>	<hr/>
Total assets	<u>69,373</u>	<u>72,507</u>
Segment liabilities		
Outsourced business process management	1,845	7,683
Information technology services	85	85
Money lending services	154	86
	<hr/>	<hr/>
Total segment liabilities	2,084	7,854
Other unallocated liabilities	33,197	23,656
	<hr/>	<hr/>
Total liabilities	<u>35,281</u>	<u>31,510</u>

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than bank and cash balances, equity investments at fair value through other comprehensive income and unallocated corporate assets; and
- all liabilities are allocated to reportable segments other than director's loan, other loans and unallocated corporate liabilities.

(c) Geographical information

The Group's operations are located in Hong Kong, Macau and the PRC.

The Group's revenue from external customers by geographical location is detailed below:

Revenue by geographical market

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong	2,264	—
Macau	42,012	43,620
	<u>44,276</u>	<u>43,620</u>

No revenue from customer (2018: nil) contributing over 10% of the total revenue of the Group.

6. REVENUE AND OTHER GAIN OR LOSS, NET

Revenue represents amounts received and receivable for services provided and goods sold by the Group to outside customers, less discounts and sales related taxes.

An analysis of the Group's revenue and other income for the period is as follows:

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Provision of services on management of electronic gaming equipment in Macau	42,012	43,620
Revenue from other source:		
Provision of money lending services in Hong Kong	2,264	—
	<u>44,276</u>	<u>43,620</u>

Revenue from contracts with customers are recognised over time during the six months ended 30 September 2019 and 2018.

Provision of services on management of electronic gaming equipment in Macau

The Group provides electronic gaming equipment management services to the customers. Electronic gaming equipment management services income is recognised when the electronic gaming equipment management services are rendered and there is no unfulfilled obligation that could affect the customer's acceptance of the service.

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Other gain or loss, net:		
Management fee income	—	1,544
Gain/(loss) on disposal of property, plant and equipment	408	(575)
Interest income on bank deposits	1	—
Fair value gain on director's loan	—	8
Fair value loss on other loans	—	(556)
Sundry income	23	246
	<u>432</u>	<u>667</u>

7. FINANCE COSTS

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Leases interests	37	—
Interest on other loan	1,021	—
Imputed interest on other loan	120	561
Imputed interest on director's loan	—	8
	<u>1,178</u>	<u>569</u>

8. INCOME TAX

No provision for Hong Kong profits tax is required since the Group has no assessable profit for the six months ended 30 September 2019 and 2018.

Macau Complementary Tax is calculated at a progressive rate from 9% to 12% on the estimated assessable profit for the period. No provision for Macau Complementary Tax is required as the Company's subsidiary in Macau incurred tax losses for the year. Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of subsidiaries of the Company in the PRC was 25% in previous reporting period.

9. LOSS FOR THE PERIOD

The Group's loss for the period is stated after charging:

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	1,405	6,679
Depreciation of right-of-use assets	528	—
Operating lease rentals in respect of land and buildings	—	851
Directors' remuneration	1,411	1,060
Staff costs (including Directors' remuneration):		
Salaries, allowances and other benefits in kind	7,778	7,585
Pension scheme contributions	151	189
Total staff costs	7,929	7,774

10. DIVIDEND

The Directors do not recommend the payment of any dividend for the six months ended 30 September 2019 and 2018.

11. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss of approximately HK\$6,905,000 (for the six months ended 30 September 2018: HK\$13,539,000) for the period attributable to owners of the Company and the weighted average number of 2,366,287,000 (for the six months ended 30 September 2018: 2,116,849,000) ordinary shares in issue during the six months ended 30 September 2019.

(b) Diluted loss per share

No diluted loss per share is presented for the periods ended 30 September 2019 and 2018 as the exercise of the Company's outstanding share options would be anti-dilutive.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2019, the Group acquired property, plant and equipment of approximately HK\$10,000 (six months ended 30 September 2018: HK\$3,843,000).

In addition, during the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of approximately HK\$266,000 (six months ended 30 September 2018: HK\$2,273,000) for a total consideration of approximately HK\$674,000 (six months ended 30 September 2018: HK\$1,530,000), of which approximately HK\$169,000 (six months ended 30 September 2018: HK\$1,530,000) has been settled by cash during the interim period.

13. INVESTMENT IN AN ASSOCIATE

	30 September 2019	31 March 2019
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Unlisted shares	4,406	—
Share of post-acquisition loss	(624)	—
	<u>3,782</u>	<u>—</u>

As at 30 September 2019, the Group holds indirectly 22.33% equity interest in Maiden Faith Capital Group Limited (the “Maiden”), which formerly known as Gold Castle Group Limited, through its subsidiary.

Details of the associate are as follows:

Name of company	Place of incorporation/ registration/operations	Nominal value of issued ordinary shares/paid-in capital	Percentage of equity interest attributable to the Company		Principal activities
			Directly	Indirectly	
Maiden	British Virgin Islands	US\$13,435	—	22.33%	Provisions of investment advisory services, insurance brokerage services and advisory services on securities dealing

14. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 September 2019	31 March 2019
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Unlisted equity securities, at fair value	—	—

During the year of 2017, the Group invests HK\$155,460,000 in Primus, a company incorporated in United State of America and owned 73,251,487 Series E Preferred Shares (the “Primus Shares”) and representing 20.82% equity interests in Primus. Due to certain contractual arrangements with the other shareholders of that company, the Group is unable to exercise significant influence over that company and the investment is classified as equity investments at fair value through other comprehensive income.

Loss arising from change in fair value of HK\$54,157,000 on equity investments at fair value through other comprehensive income was recognised in other comprehensive income and accumulated in the investment revaluation reserve for the year ended 31 March 2019.

For the fair value measurement of equity investments at fair value through other comprehensive income please refer to note 4.

15. DEPOSITS AND OTHER RECEIVABLES

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Deposits paid for acquisition of property, plant and equipment	10,616	8,500
Deposits and prepayments	2,417	2,272
Deposits paid for game software development and licenses	30,000	30,000
	43,033	40,772
Less: Impairment losses	(31,468)	(31,468)
	11,565	9,304
Other receivables	6,423	6,990
Less: Impairment losses	(3,000)	(3,000)
	3,423	3,990
	14,988	13,294

As at 30 September 2019 and 31 March 2019, included in the impairment losses of other receivables, deposits and prepayments are individually impaired other receivables and deposits with an aggregate balance of approximately HK\$34,468,000 which are due to long outstanding and/or default of payment. The Group does not hold any collateral over these balances. Impaired amounts were directly written off against deposits and receivables when there was no expectation of recovering any amount.

16. TRADE RECEIVABLES

The Group's trading terms with other customers are mainly on credit. The credit terms generally range from 30 to 90 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Trade receivables	28	58

The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Within 30 days	—	58
181 to 365 days	<u>28</u>	<u>—</u>
	<u>28</u>	<u>58</u>

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	Over 120 days past due	Total
At 30 September 2019			
Weighted average expected loss rate	0%	0%	
Receivable amount (HK\$'000)	—	28	28
Loss allowance (HK\$'000)	—	—	—
At 31 March 2019			
Weighted average expected loss rate	0%	0%	
Receivable amount (HK\$'000)	58	—	58
Loss allowance (HK\$'000)	—	—	—

17. LOAN RECEIVABLES

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Loan receivables	<u>32,227</u>	<u>26,664</u>

The fixed-rate loans receivables of approximately HK\$32,227,000 (31 March 2019: HK\$26,664,000) under the Group's money lending services operation as at 30 September 2019 represent loan advanced to 5 (31 March 2019: 5) independent third parties. The interest rates for the loan receivables were ranging from 12% to 18% (31 March 2019: 9.6% to 21.6%) per annum.

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all loan receivables. To measure the expected credit losses, loan receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	Total
At 30 September 2019		
Weighted average expected loss rate	0%	
Receivable amount (HK\$'000)	26,664	26,664
Loss allowance (HK\$'000)	—	—
At 31 March 2019		
Weighted average expected loss rate	0%	
Receivable amount (HK\$'000)	32,227	32,227
Loss allowance (HK\$'000)	—	—
	<u> </u>	<u> </u>

18. OTHER LOANS

(a) Other Loan A

As at 31 March 2017, the balance of shareholder's loan amounted to HK\$17,392,000 represented an unsecured and unguaranteed interest-free with principal amount of HK\$20,000,000 (the "Other Loan A") from its substantial shareholder, namely Mr. Yong Khong Yoong Mark ("Mr. Yong"), which will mature and become repayable on 11 August 2018. The Other Loan A was carried at amortised cost using the effective interest method. The effective interest rate applied was 10% per annum. The difference of the principal and the fair value of the Other Loan A at initial recognition amounting to approximately HK\$3,471,000 was credited as deemed capital contribution from the shareholder in equity.

Reference to the Company's announcement dated 28 August 2017, Mr. Yong had disposed of 503,669,620 shares of the Company on 22 August 2017 and Mr. Yong ceased to be a substantial shareholder of the Company. The Other Loan A was reclassified as other loan as at 28 August 2017.

On 11 September 2017, Mr. Yong and the Company had entered into a supplemental loan agreement, in which the repayment date of the Other Loan A been revised to 11 August 2019.

As at 31 March 2018, the balance of the Other Loan A amounted to HK\$3,074,000 represented an unsecured and unguaranteed interest-free with remaining principal amount of HK\$3,500,000, after the repayment of HK\$16,500,000 from the Company to Mr. Yong during the year.

As at 31 March 2019, the balance of the Other Loan A amounted to HK\$3,380,000, representing an unsecured and unguaranteed interest-free loan with remaining principal amount of HK\$3,500,000.

As at 30 September 2019, the balance of the Other Loan A amounted to HK\$3,500,000, representing an unsecured and unguaranteed interest-free loan with remaining principal amount of HK\$3,500,000. On 11 August 2019, Mr. Yong and the Company had entered into a supplemental loan agreement, in which the repayment date of the Other Loan A been revised to 11 August 2020.

(b) Other Loan B

During the year ended 31 March 2019, the Company entered into an unsecured loan agreements with an independent third party (the “Other Loan B”). Pursuant to the loan agreement, the principal amount of the loan is HK\$15,000,000 with fixed interest rate of 12% per annum and repayable on 5 December 2019.

As at 30 September 2019 and 31 March 2019, the balance of the Other Loan B amounted to HK\$15,000,000.

(c) Other Loan C

During the six months ended 30 September 2019, the Company entered into an unsecured loan agreements with an independent third party (the “Other Loan C”). Pursuant to the loan agreement, the principal amount of the loan is HK\$8,865,000 with fixed interest rate of 3.5% per annum and repayable on 13 May 2020.

19. AMOUNT DUE TO A DIRECTOR

The amount due is unsecured, interest-free and repayable on demand.

20. SHARE CAPITAL

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Authorised: 30,000,000,000 (31 March 2019: 30,000,000,000) ordinary shares of HK\$0.01	<u><u>300,000</u></u>	<u><u>300,000</u></u>
Issued and fully paid: 2,366,286,547 (31 March 2019: 2,366,286,547) ordinary shares of HK\$0.01 each	<u><u>23,663</u></u>	<u><u>23,663</u></u>

Movement of the number of shares issued and the share capital during the current period is as follows:

	Number of share issued '000	Share capital HK\$'000
At 1 April 2018 (audited)	2,073,676	20,737
Issue of shares on placement (<i>Note</i>)	<u>292,610</u>	<u>2,926</u>
At 30 September 2018 (unaudited), 31 March 2019 (audited) and 30 September 2019 (unaudited)	<u><u>2,366,286</u></u>	<u><u>23,663</u></u>

Note: On 10 August 2018 and 22 August 2018, the Company entered into a placing agreement and supplemental agreement, respectively, with a placing agent in respect of the placement of 292,610,000 ordinary shares of HK\$0.01 each to independent investors at a price of HK\$0.24 per share. The placement was completed on 4 September 2018, resulting in which approximately HK\$2,926,000 was credited to share capital and the remaining balance of approximately HK\$66,593,000 (net of issuing expenses of approximately HK\$707,000) was credited to share premium.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consist of equity attributable to owners of the Company, comprising issued share capital and reserves. The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the associated risks, and take appropriate actions to adjust the Group's capital structure. The Group's overall strategy remains unchanged from prior periods.

21. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include directors, full-time employees, senior executives and consultants of the Group. The Scheme has been adopted since 28 September 2012 and amended on 8 August 2014, and unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The table below discloses movement of the Company's share options held by the eligible participants:

	Number of share options
Outstanding as at 1 April 2018 (audited)	48,410,000
Granted during the period (<i>Note</i>)	82,800,000
Cancelled during the period (<i>Note</i>)	(82,800,000)
Forfeited during the period	<u>(17,610,000)</u>
Outstanding as at 30 September 2018 (unaudited)	<u>30,800,000</u>
Forfeited during the period	<u>(1,400,000)</u>
Outstanding as at 1 April 2019 (audited)	<u>29,400,000</u>
Forfeited during the period	<u>(1,400,000)</u>
Outstanding as at 30 September 2019 (unaudited)	<u><u>28,000,000</u></u>

Note: On 10 August 2018 (after trading hours), subject to acceptance of the grantees, the Company has granted 82,800,000 Share Options (the “Options”) to eligible participants of the Group (the “Grantees”). Subsequently, the Company, as approved by the Board and with the consent of the Grantees, has cancelled the grant of the options with effect from 24 August 2018. None of Grantees has accepted the Options. Details of the grant and cancellation of the Options were set out in the Company’s announcements dated 13 August 2018 and 24 August 2018.

There were no share options exercised during the six months ended 30 September 2019 and 2018.

22. CAPITAL COMMITMENTS

As at 30 September 2019, the Group’s capital expenditure contracted for but not provided in respect of acquisition of property, plant and equipment amounted to approximately HK\$2,296,000 (31 March 2019: HK\$1,500,000).

23. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions and balances disclosed elsewhere in the condensed consolidated financial statements, the Group had no transactions with its related parties.

(b) Compensation of key management

The remuneration of key management personnel (only the Directors) of the Group during the current period was as follow:

	Six months ended	
	30 September	
	2019	2018
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Salaries allowances and other benefits in kind	1,402	1,052
Retirement benefits scheme contributions	9	8
	<u>1,411</u>	<u>1,060</u>

24. LITIGATIONS

(a) **The Company against Mr. Cheng Chee Tock Theodore (deceased) (“Mr. Cheng”), Ms. Leonora Yung (“Ms. Yung”) and others**

For details, background and the development of this litigation in the prior years, please refer to previously issued annual report since 2010/2011 and interim report since 2011/2012.

There was no other development for this litigation during the reporting period.

(b) The Company and Highsharp Investments Limited, as the Plaintiffs

For details, background and the development of this litigation in the prior years, please refer to previously issued annual report since 2010/2011 and interim report since 2011/2012.

There was no other development for this litigation during the reporting period.

(c) The Company and Ace Precise International Limited, as the Plaintiffs

For details, background and the development of this litigation in the prior years, please refer to previously issued annual report since 2010/2011 and interim report since 2011/2012.

There was no other development for this litigation during the reporting period.

(d) The Company together with former subsidiaries of the Company against Mr. Cheng

For details, background and the development of this litigation in the prior years, please refer to previously issued annual report since 2010/2011 and interim report since 2011/2012.

By the order of the Court on 31 July 2018, the Case Management Summons Hearing (“CMS Hearing”) on 1 August 2018 was vacated and adjourned to 30 January 2019.

By the order of the Court on 28 January 2019, the CMS Hearing on 30 January 2019 was vacated and adjourned to 10 May 2019.

By the order of Court on 9 May 2019, the CMS Hearing on 10 May 2019 was vacated and adjourned to 5 September 2019.

The CMS Hearing on 5 September 2019 was vacated and adjourned to 22 January 2020 during the six months ended 30 September 2019.

25. EVENT AFTER THE REPORTING PERIOD

As at the approval date on these condensed consolidated financial statements, the Group had no significant event after the reporting period which need to be disclosed.

26. APPROVAL OF FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the board of Directors on 29 November 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 September 2019 (the “Period Under Review”), the Group was principally engaged in provision of outsourced business process management for electronic gaming machines in Macau (the “Outsourced Business Process Management”) and money lending business. During the Period Under Review, no revenue had been generated from information technology services business.

During the Period Under Review, revenue generated from the Outsourced Business Process Management decreased slightly by approximately 3.69% from approximately HK\$43.6 million in the same period of last year (the “Last Corresponding Period”) to approximately HK\$42.0 million. The decrease was mainly attributable to intense competition in the Macau gaming market faced by the Group. Despite the cost control measures implemented by the Group in Macau operations, the loss was incurred from such segment. The loss from this captioned segment during the Period Under Review was approximately HK\$1.7 million compared with loss of approximately HK\$6.5 million during the Last Corresponding Period, which is mainly due to successful control in operating costs.

On one hand, the Group strives to continuously concentrate on its Outsourced Business Process Management business and on the other hand, the Group will take cautious control of its operating costs so as to maintain its competitiveness in the market.

During the Period Under Review, the Group leveraged diversify our business operations into money lending, thereby enhancing the profitability of the Group’s business as a whole which were aligned with the strategies and future development of the Group. During the Period Under Review, revenue generated from money lending business was approximately HK\$2.3 million with the segment profit of approximately HK\$2.0 million.

The Group has been actively looking for investment opportunities to continue to expand and upgrade its business. The Group has made an investment in Primus Power Corporation (“Primus”), a company incorporated in the USA principally engaged in the provision of electrical energy storage system solutions. The Company is constantly reviewing the performance of Primus and reviewing its strategy on its investment in Primus.

The fair value of the investment in Primus as at 30 September 2019 was nil (31 March 2019: nil). For the fair value measurement of the equity investments at fair value through other comprehensive income, please refer to note 4 to the unaudited interim condensed consolidated financial statements.

FUTURE DEVELOPMENTS IN THE BUSINESS OF THE GROUP

Looking ahead, in addition to the Group's commitment to the development of its core business, the Board seeks to open up different revenue channels in different markets, achieving sustainable growth in the next few years and elevate itself to be a major player in high growth industries and markets. In particular, the Group will leverage on its experience and know-how in the existing businesses to capture market opportunities in technology-related sectors. The Company wishes to form strategic partnerships with major players in the region, exploiting its strong business networks and grow in markets of this strategic fit to deliver strong and sustainable returns to the shareholders of the Company. As at the date of this interim results announcement, the Group had no plans for material investments or acquisition of capital assets. However, the Group will continue to identify new opportunities for business development. In the event that any definitive agreement is entered into in relation to any material investments or acquisition of capital assets, further announcement(s) will be made if and when required or as appropriate in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

FINANCIAL REVIEW

During the Period Under Review, the Outsourced Business Process Management business continued to be the Group's core business which contributed approximately 94.9% (Last Corresponding Period: approximately 100.0%) of the Group's total revenue. The revenue derived from this business segment was approximately HK\$42.0 million, representing a decrease of approximately 3.7% (Last Corresponding Period: approximately HK\$43.6 million). During the Period Under Review, no revenue had been generated from information technology services business (Last Corresponding Period: Nil). During the Period Under Review, the revenue derived from the money lending business segment was approximately HK\$2.3 million which was new business segment for the Group. As a result of the above, for the six months ended 30 September 2019, the Group recorded a total revenue of approximately HK\$44.3 million (Last Corresponding Period: approximately HK\$43.6 million), representing an increase of approximately 1.5%.

The Group recorded a decrease in loss attributable to owners of the Company of approximately HK\$6.6 million from approximately HK\$13.5 million for the Last Corresponding Period to approximately HK\$6.9 million during the Period Under Review.

The decrease in loss attributable to owners of the Company mainly because (i) the growth in revenue from the new money lending business acquired in December 2018 and (ii) there is a decrease in depreciation expenses as compared to the Last Corresponding Period.

Selling and distribution costs of the Group during the Period Under Review were recorded an increase of approximately 30.0% to approximately HK\$3.2 million, comparing with approximately HK\$2.5 million of the Last Corresponding Period.

During the Period Under Review, the Group recorded a decrease in administrative and other expenses by approximately HK\$7.0 million or 29.6% from approximately HK\$23.6 million for the Last Corresponding Period to approximately HK\$16.6 million for the Period Under Review. The decrease was primarily attributed to the reduction of depreciation and amortisation costs.

LIQUIDITY, FINANCIAL RESOURCES AND FOREIGN CURRENCY EXPOSURE

As at 30 September 2019, the Group had bank and cash balances of approximately HK\$11.3 million. As at the same date, the Group had a liability component of the unsecured and unguaranteed interest-free loan of approximately HK\$3.5 million, which was borrowed from a former substantial shareholder of the Company namely, Mr. Yong Khong Yoong Mark, for a principal amount of HK\$20 million. During the Period Under Review, Mr. Yong and the Company had entered into a supplemental loan agreement, pursuant to which the repayment date of the Loan had been extended to 11 August 2020.

During the Period Under Review, the Group entered into a loan agreement with an independent third party for an unsecured and unguaranteed loan with principal amount of HK\$15 million and interest rate at 12% per annum. Pursuant to this loan agreement, the repayment date will be 5 December 2019.

During the Period Under Review, the Group entered into a loan agreement with an independent third party for an unsecured and unguaranteed loan with principal amount of approximately HK\$8.9 million and fixed interest rate at 3.5% per annum. Pursuant to this loan agreement, the repayment date will be 13 May 2020.

The gearing ratio of loans against the total equity as at 30 September 2019 was approximately 80.3%. As the bank deposits and cash on hand were denominated in Hong Kong dollar, followed by Macau Pataca, US Dollar and Renminbi, the Group's exchange risk exposure continues to depend on the movement of the exchange rates of the aforesaid currencies.

TREASURY POLICY

The Group maintains a conservative approach on foreign exchange exposure management and ensures that its exposure to fluctuations in foreign exchange rates is minimised. The Group did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposures during the six months ended 30 September 2019. The Group will continue to monitor its foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

CAPITAL STRUCTURE

There was no significant change in the Group's capital structure for the six months ended 30 September 2019.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

The Company did not have any material acquisition, disposal and significant investment in subsidiaries, associates and joint ventures during the six months ended 30 September 2019.

PLEDGE OF ASSETS

As at 30 September 2019, no asset was pledged by the Group.

CAPITAL COMMITMENTS

As at 30 September 2019, the Group's capital expenditure contracted for but not provided in the interim financial statements in respect of acquisition of property, plant and equipment amounted to approximately HK\$2,296,000.

CONTINGENT LIABILITIES

As at 30 September 2019, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

The Group employed 21 permanent employees as at 30 September 2019, with 3 employees in Hong Kong and 18 employees in Macau.

The Group continued to review the remuneration packages of employees with reference to the level and compensation of pay, general market condition and individual performance. Staff benefits offered by the Group to its employees include contribution to defined contribution retirement scheme, discretionary bonus, share option scheme, medical allowance and hospitalization scheme and housing allowance, the quality of which is generally in line with the local practice. The Group supports a fair, transparent and high performance culture through its human resources policies, by developing and improving its programs particularly on recruitment, performance management, training and development and employee relations.

LITIGATION

The Group has a number of pending litigations and in the opinion of the legal counsel of the Company engaged in respect of such litigations, it is premature to predict the outcomes. Details of litigation are disclosed in note 24 to the interim financial statements.

OTHER INFORMATION

Interim Dividend

The Board of Directors of the Company resolved not to declare the payment of an interim dividend for the Period (For the six months ended 30 September 2018: Nil). Accordingly, no closure of register of members of the Company is proposed.

Directors' Interests in Contracts

No contracts of significance in relation to the Group's business to which the Group was a party and in which a Director had a material interest, whether directly or indirectly, subsisted during the six months ended 30 September 2019.

Directors' Interests in a Competing Business

For the six months ended 30 September 2019, the Directors are not aware of any business or interest of the Directors, the management of the Company and their respective associates (as defined under the Listing Rules) that competes or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

Corporate Governance

The Board is satisfied that the Company has complied with the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 (the "CG Code") to the Listing Rules throughout the Period except for the following deviation:

- (1) Code Provision A.4.1 of the CG Code provides, inter alia, that non-executive Directors should be appointed for a specific term and subject to re-election.***

The independent non-executive Directors are not appointed for a specific term. However, they are subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years in accordance with the Company's Bye-laws and the Listing Rules. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

(2) Code Provision A.2.1 of the CG Code provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The roles of chairman (the “Chairman”) and chief executive officer (the “CEO”) of the Company were both performed by Mr. KWAN Chun Wai Roy (“Mr. KWAN”), an executive Director of the Company. Mr. KWAN resigned as an Chairman, the CEO and the executive Director and Mr. DING Lei (“Mr. DING”), an executive Director was appointed as the Chairman and the CEO with effect from 20 September 2019. The Board considers that having Mr. DING to act as the Chairman and CEO will enhance the operational efficiency and core competitiveness of the Group, more clearly define the organisational structure, and simplify the Group’s decision-making mechanism. Therefore, the Board considers that such deviation is beneficial to the Group’s overall business development.

The Board will continue to review the management structure of the Group from time to time and shall make necessary changes when appropriate and inform the shareholders of the Company accordingly.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. Upon specific enquiry of all the Directors made by the Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code regarding securities transactions by the Directors during the Period.

Remuneration Committee

The Company established the remuneration committee (the “Remuneration Committee”) which has adopted written terms of reference in compliance with the Listing Rules. As at the date of this interim results announcement, the Remuneration Committee is composed of two independent non-executive Directors, namely Mr. DENG Yougao (chairman) and Mr. AU Kin Wah and one executive Director, Mr. DING Lei. The Remuneration Committee is responsible for reviewing, determining and making recommendations to the Board on the remuneration, compensation and benefits of Directors and senior management. The terms of reference of the Remuneration Committee are available and accessible on the Company’s website.

Nomination Committee

The Company established the nomination committee (the “Nomination Committee”) which has adopted written terms of reference in compliance with the Listing Rules. As at the date of this interim results announcement, the Nomination Committee is composed of one executive Director, Mr. DING Lei (chairman) and two independent non-executive Directors, namely Mr. AU Kin Wah and Mr. DENG Yougao. The Nomination Committee is responsible for making recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors. The Nomination Committee reviews the structure, size and composition of the Board, and identifies suitably qualified candidates to become Board members. The Nomination Committee also ensures the Board comprises members with mixed skills and experience with appropriate weights necessary to accomplish the Group’s business development, strategies, operation, challenges and opportunities. The terms of reference of the Nomination Committee are available and accessible on the Company’s website.

Audit Committee

The Company established the audit committee (the “Audit Committee”) which has adopted written terms of reference in compliance with the Listing Rules. As at the date of this interim results announcement, the Audit Committee is composed of three independent non-executive Directors, namely Mr. AU Kin Wah (chairman), Mr. DENG Yougao and Ms. WONG Chi Yan. The Audit Committee is responsible for considering appointment of the external auditor, reviewing the interim and annual financial statements before submission to the Board, and overseeing the Group’s financial reporting, risk management and internal control systems. The terms of reference of the Audit Committee are available and accessible on the Company’s website.

Changes in Directors’ Information

Changes in Directors’ information in respect of the period from 1 April 2019 up to the date of this interim results announcement are set out below:

Mr. KWAN Chun Wai Roy resigned as the Chairman, an executive Director, the CEO, the chairman of Nomination Committee and a member of the Remuneration Committee of the Company with effect from 20 September 2019.

Mr. DING Lei, an executive Director, was appointed as the Chairman, the CEO, the chairman of Nomination Committee and a member of the Remuneration Committee with effect from 20 September 2019.

Mr. CHI Dong Eun resigned as an independent non-executive Director, the chairman of Remuneration Committee and the member of each of the Nomination Committee and Audit Committee of the Company with effect from 20 September 2019.

Mr. LIU Hu was appointed as an executive Director with effect from 20 September 2019.

Mr. DENG Yougao, an independent non-executive Director, was appointed as the chairman of Remuneration Committee and a member of each of the Audit Committee and Nomination Committee with effect from 20 September 2019.

Review of Interim Results

The Audit Committee has reviewed the unaudited condensed consolidated results for the Period.

Purchase, Sale or Redemption of The Company's Securities

During the Period, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim report of the Group for the Period, which contains the detailed results and other information of the Group for the Period required pursuant to Appendix 16 of the Listing Rules, will be despatched to the shareholders of the Company and published on the Stock Exchange's website at www.hkexnews.hk and the Company's designated website at www.successdragonintl.com in due course. This announcement can also be accessed on the above websites.

By Order of the Board

Success Dragon International Holdings Limited

DING Lei

Chairman, executive Director and chief executive officer

Hong Kong, 29 November 2019

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. DING Lei and Mr. LIU Hu; and three independent non-executive Directors; namely Mr. AU Kin Wah, Mr. DENG Yougao and Ms. WONG Chi Yan.