Success Dragon International Holdings Limited

勝龍國際控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1182)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2020

The audited consolidated results of Success Dragon International Holdings Limited ("Company") and its subsidiaries (collectively referred to as the "Group") for the financial year ended 31 March 2020 together with the comparative figures for the preceding financial year are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	**2020** *HK$'000*	2019 *HK$'000*
Revenue	4	**91,430**	87,787
Cost of sales		**(62,279)**	(61,718)
Gross profit		**29,151**	26,069
Other gain or loss, net	4	**1,916**	2,186
Selling and distribution costs		**(5,371)**	(5,522)
Administrative and other operating expenses		**(34,674)**	(56,284)
Loss from operations		**(8,978)**	(33,551)
Impairment loss of property, plant and equipment		**—**	(4,147)
Finance costs	5	**(2,421)**	(1,200)
Share of loss of an associate		**(456)**	—
Loss before tax		**(11,855)**	(38,898)
Income tax expense	6	**—**	—
Loss for the year	7	**(11,855)**	(38,898)

	Notes	**2020** **HK$'000**	2019 *HK$'000*
Other comprehensive income/(loss):			
Item that will not be reclassified to profit or loss:			
Fair value changes of equity investments at fair value through other comprehensive income		—	(54,157)
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**180**	974
Total other comprehensive income/(loss) for the year, net of tax		**180**	(53,183)
Total comprehensive loss for the year		**(11,675)**	(92,081)
Loss per share (HK cents per share)	9		
Basic and diluted loss per share		**(0.50)**	(1.74)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**4,680**	7,630
Right-of-use assets	10	**222**	—
Investment in an associate	11	**4,697**	—
Goodwill		**433**	433
		10,032	8,063
Current assets			
Equity investments at fair value through other comprehensive income	12	**—**	—
Inventories		**100**	249
Trade receivables	13	**28**	58
Loan receivables	14	**40,232**	26,664
Deposits and other receivables	15	**13,184**	13,294
Bank and cash balances		**1,629**	24,179
		55,173	64,444
Current liabilities			
Other payables and accruals		**9,586**	12,971
Lease liabilities		**232**	—
Amount due to a director		**—**	159
Other loans		**26,065**	18,380
		35,883	31,510
Net current assets		**19,290**	32,934
NET ASSETS		**29,322**	40,997
Capital and reserves			
Share capital	16	**23,663**	23,663
Reserves		**5,659**	17,334
TOTAL EQUITY		**29,322**	40,997

Notes:

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 gold-laden carbon processing business in the People's Republic of China (the "PRC").

2. 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 consolidated 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 consolidated financial statement as follows:

	1 April 2019
	HK$'000
At 1 April 2019:	
Increase in right-of-use assets	1,052
Increase in lease liabilities	(1,052)

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

	HK$'000
Operating lease commitment at 31 March 2019	1,065
Less: Discounting of 8.991%	(13)
Lease liabilities as at 1 April 2019	1,052

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.

3. 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
Money lending services	—	Provision of money lending services in Hong Kong
Gold-laden carbon processing business	—	Provision of gold-laden carbon processing and the sale of gold and other precious metals in the PRC
Information technology services	—	Provision of information technology services

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 year ended 31 March									
	Outsourced business process management		Money lending services		Gold-laden carbon processing business		Information technology services		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
REVENUE:										
Revenue from external customers	**84,451**	86,673	**4,913**	1,056	**2,066**	—	**—**	58	**91,430**	87,787
Segment (loss)/profit	**(4,391)**	(19,528)	**2,139**	243	**(1)**	—	**(7)**	(279)	**(2,260)**	(19,564)
Interest income									**1**	—
Unallocated income									**1,214**	442
Unallocated corporate expenses									**(8,266)**	(18,576)
Fair value gain on other loan									**333**	—
Share of loss of an associate									**(456)**	—
Finance costs									**(2,421)**	(1,200)
Loss before tax									**(11,855)**	(38,898)

There are no sales between the reportable segments for both year ended 31 March 2020 and 2019.

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

	2020	2019
	HK$'000	*HK$'000*
Segment assets		
Outsourced business process management	**12,593**	13,023
Money lending services	**40,280**	29,382
Gold-laden carbon processing business	**1,229**	—
Information technology services	**52**	58
Total segment assets	**54,154**	42,463
Bank and cash balances	**1,629**	24,179
Investment in an associate	**4,697**	—
Other unallocated assets	**4,725**	5,865
Total assets	**65,205**	72,507
Segment liabilities		
Outsourced business process management	**1,025**	7,683
Money lending services	**235**	86
Gold-laden carbon processing business	**1,795**	—
Information technology services	**85**	85
Total segment liabilities	**3,140**	7,854
Other loans	**26,065**	18,380
Other unallocated liabilities	**6,678**	5,276
Total liabilities	**35,883**	31,510

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

— all assets are allocated to reportable segments other than investment in an associate, bank and cash balances and unallocated corporate assets; and

— all liabilities are allocated to reportable segments other than 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

	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**4,913**	1,056
Macau	**84,451**	86,673
The PRC	**2,066**	—
Other countries	**—**	58
	91,430	87,787

No revenue from customer contributing over 10% of the total revenue of the Group during the year ended 31 March 2020 and 2019.

The Group's non-current assets by geographical location are detailed below:

	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**6,806**	2,455
Macau	**2,015**	5,580
The PRC	**1,211**	28
	10,032	8,063

(d) Other segment information

Amounts included in the measure of segment profit or loss or segment assets:

	For the year ended 31 March											
	Outsourced business process management		Money lending services		Gold-laden carbon processing business		Information technology services		Unallocated		Consolidated total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Addition to property, plant and equipment	**22**	190	**10**	1,604	**1,206**	—	**—**	—	**—**	92	**1,238**	1,886
Depreciation of property, plant and equipment	**3,348**	11,695	**343**	27	**—**	—	**—**	—	**52**	114	**3,743**	11,836
Impairment loss of property, plant and equipment	**—**	4,147	**—**	—	**—**	—	**—**	—	**—**	—	**—**	4,147
(Gain)/loss on disposal of property, plant and equipment	**(368)**	576	**—**	—	**—**	—	**—**	—	**—**	—	**(368)**	576

4. 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 years are as follows:

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Provision of services on management of electronic gaming equipment in Macau	**84,451**	86,673
Provision of gold-laden carbon processing business	**2,066**	—
Provision of information technology services	**—**	58
	86,517	86,731
Revenue from other source:		
Provision of money lending services in Hong Kong	**4,913**	1,056
	91,430	87,787

Disaggregation of revenue from contracts with customers:

	Outsourced business process management	Information technology services	Gold-laden carbon processing business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2020:				
Time of revenue recognition				
— At a point of time	**—**	**—**	**2,066**	**2,066**
— Overtime	**84,451**	**—**	**—**	**84,451**
	84,451	**—**	**2,066**	**86,517**
Year ended 31 March 2019:				
Time of revenue recognition				
— At a point of time	—	58	—	58
— Overtime	86,673	—	—	86,673
	86,673	58	—	86,731

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.

Provision of gold-laden carbon processing business

The Group process gold-laden carbon and sales of precious metal to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Deposits received from customers are recognised as contract liabilities.

Provision of information technology services

The Group provides information technology services to the customers. Information technology services income is recognised when the information technology services are rendered and there is no unfulfilled obligation that could affect the customer's acceptance of the service.

	2020	2019
	HK$'000	*HK$'000*
Other gain or loss, net:		
Management fee income	—	2,320
Gain/(loss) on disposal of property, plant and equipment	**368**	(576)
Gain on deemed disposal of an associate	**370**	—
Gain on bargain purchases of an associate	**375**	—
Fair value gain on other loan	**333**	—
Interest income on bank deposits	**1**	—
Sundry income	**469**	442
	1,916	2,186

5. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Leases interests	**56**	—
Interest on other loans	**2,037**	474
Imputed interest on other loans	**328**	549
Imputed interest on director's loan	—	177
	2,421	1,200

6. INCOME TAX

No provision for Hong Kong profits tax is required since the Group has no assessable profit for the year ended 31 March 2020 and 2019.

Macau Complementary Tax is calculated at a progressive rate from 9% to 12% on the estimated assessable profit for the year. 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 both year.

Tax arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

7. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting):

	2020	2019
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**3,743**	11,836
Depreciation of right-of-use assets	**830**	—
Cost of inventories sold (included in "cost of sales")	**2,014**	—
Operating lease rentals in respect of land and buildings	**—**	1,669
Auditor's remuneration	**980**	950
Staff costs (including Directors' remuneration):		
Salaries, allowances and other benefits in kind	**15,016**	15,839
Pension scheme contributions	**270**	391
Total staff costs	**15,286**	16,230
Impairment loss of property, plant and equipment	**—**	4,147
(Gain)/loss on disposal of property, plant and equipment	**(368)**	576

8. DIVIDEND

The Directors do not recommend the payment of any dividend for each of the years ended 31 March 2020 and 2019.

9. 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$11,855,000 (2019: HK$38,898,000) for the year attributable to owners of the Company and the weighted average number of approximately 2,366,286,000 (2019: 2,241,226,000) ordinary shares in issue during the year.

(b) Diluted loss per share

No diluted loss per share is presented for the year ended 31 March 2020 and 2019 as the exercise of the Company's outstanding share options would be anti-dilutive.

10. LEASE AND RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	2020
	HK$'000
At 31 March:	
Right-of-use assets	
— Office premises	**222**
The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:	
— Less than 1 year	**237**
Year ended 31 March:	
Depreciation charge of right-of-use assets	
— Office premises	**830**
Lease interests	**56**
Total cash outflow for leases	**876**

The Group leases various office premises. Lease agreements are typically made for fixed periods of 1 to 2 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

11. INVESTMENT IN AN ASSOCIATE

	2020
	HK$'000
Cost of unlisted shares	**4,408**
Gain on deemed disposal of equity interest	**370**
Gain on bargain purchase of additional interests in associates	**375**
Share of post-acquisition loss	**(456)**
	4,697

As at 31 March 2020, the Group holds indirectly 24.56% equity interest in Maiden Faith Capital Group Limited (the "Maiden"), which formerly known as Gold Castle Group Limited, through its subsidiary.

Under the shareholder agreement, the Group is entitled to appoint a director to Maiden, the Group has significant influence over Maiden.

12. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020	2019
	HK$'000	*HK$'000*
Unlisted equity securities, at fair value	**—**	—

During the year of 2017, the Group invests HK$155,460,000 in Primus Power Corporation (the "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.

During the year ended 31 March 2020, Primus recorded net loss of approximately US$6,065,000 and net liabilities of approximately US$12,452,992 as at 31 March 2020. No fair value change on investment in Primus has been recognised during the year under level 3 input fair value measurement with asset approach valuation technique adopted in 2020 and 2019.

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	—	24.56%	Provisions of investment advisory services, insurance brokerage services and advisory services on securities dealing

	2020
	HK$'000
At 31 March:	
Non-current assets	**8,331**
Current assets	**143,825**
Current liabilities	**(131,628)**
Non-current liabilities	**(1,403)**
Net assets	**19,125**
Group's share of net assets and carrying amount of interest	**4,697**
Year ended 31 March:	
Revenue	**20,854**
Loss from operations	**(1,855)**
Loss after tax	**(1,855)**
Other comprehensive income	**—**
Total comprehensive loss	**(1,855)**
Dividends received from associates	**—**

13. 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.

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**28**	58

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

	2020	2019
	HK$'000	*HK$'000*
Within 30 days	**28**	58

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	**Total**
At 31 March 2020		
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)*	—	—

14. LOAN RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Loan receivables	**40,232**	26,664

The fixed-rate loans receivables of approximately HK$40,232,000 (2019: HK$26,664,000) under the Group's money lending services operation as at 31 March 2020 represent loan advanced to 12 (2019: 5) independent third parties. The interest rates for the loan receivables were ranging from 12% to 18% (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 31 March 2020		
Weighted average expected loss rate	**0%**	**0%**
Receivable amount *(HK$'000)*	**40,232**	**40,232**
Loss allowance *(HK$'000)*	**—**	**—**
At 31 March 2019		
Weighted average expected loss rate	0%	0%
Receivable amount *(HK$'000)*	26,664	26,664
Loss allowance *(HK$'000)*	—	—

15. DEPOSITS AND OTHER RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Deposits paid for acquisition of property, plant and equipment	**8,500**	8,500
Deposits and prepayments	**2,592**	2,272
Deposits paid for game software development and licenses	**30,000**	30,000
	41,092	40,772
Less: Impairment losses	**(31,468)**	(31,468)
	9,624	9,304
Other receivables	**6,560**	6,990
Less: Impairment losses	**(3,000)**	(3,000)
	3,560	3,990
	13,184	13,294

As at 31 March 2020 and 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. SHARE CAPITAL

	2020	2019
	HK$'000	*HK$'000*
Authorised:		
30,000,000,000 (2019: 30,000,000,000) ordinary shares of HK$0.01 each	**300,000**	300,000
Issued and fully paid:		
2,366,286,547 (2019: 2,366,286,547) ordinary shares of HK$0.01 each	**23,663**	23,663

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

	Number of share issued	**Share capital**
	'000	*HK$'000*
At 1 April 2018	2,073,676	20,737
Issue of shares on placement (note)	292,610	2,926
31 March 2019, 1 April 2019 and 31 March 2020	2,366,286	23,663

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.

17. EVENT AFTER THE REPORTING PERIOD

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Performance of the Group

The Group recorded revenue of approximately HK$91.4 million for the financial year ended 31 March 2020 ("FY2020" or the "Year"), versus approximately HK$87.8 million in the financial year ended 31 March 2019 ("FY2019"), an increase of approximately HK$3.6 million. During the Year, the Group was principally engaged in provision of outsourced business process management for electronic gaming machines in Macau (the "Outsourced Business Process Management"), information technology services business and money lending business. During the year under review, no revenue had been generated from information technology services business. Also, the Company had started to diversify its operations into the business of processing gold-laden carbon and sale of gold and other precious metals in March 2020.

Outsourced Business Process Management

During the year, the Group has encountered keen competition in Macau gaming market. The market competition was further worsened by the outbreak of Coronavirus starting in January 2020. Macau government announced the 15-day closure of all Macau casino operations as a measure against the spread of Coronavirus in February 2020. Although casino operations were fully resumed thereafter, certain health precautionary measures such as slot machine spacing and limiting the number of seats per table game remain in effect for most casino operations in Macau. Coronavirus pandemic has adversely affected tourism arrivals and gaming industry in Macau. In turn, this has imposed risk to the revenue of our Group in outsourced business process management for electronic gaming machines in Macau.

The Outsourced Business Process Management business contributed over 92.4% of the Group's revenue during the Year, and revenue generated from the Outsourced Business Process Management decreased by approximately 2.6% from approximately HK$86.7 million in FY2019 to approximately HK$84.5 million in FY2020. The decrease was mainly attributable to the intense competition in the Macau gaming market faced by the Group as well as the adverse impact on Macau gaming industry caused by Coronavirus pandemic. Despite the cost control measures which have been implemented by the Group in Macau operations, the loss was incurred from such segment. The loss from this captioned segment during the Year was approximately HK$4.4 million compared with loss of approximately HK$19.5 million during FY2019 which was mainly due to the decrease in gross revenue and decrease 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.

Information Technology Services Business

During the Year, no revenue had been generated from information technology services (FY2019: HK$58,000, loss of approximately HK$279,000).

Money Lending Business

During the Year, revenue generated from money lending business was approximately HK$4.9 million with profit of approximately HK$2.1 million (FY2019: approximately HK$1.1 million, profit of approximately HK$0.2 million).

Gold-laden Carbon Processing Business

The Group has diversified its business into the gold-laden carbon processing and the sale of gold and other precious metals in March 2020. The Board seeks to open up the new revenue channel in gold-laden carbon processing market.

The Group will be establishing a production line in Yunnan province, PRC, for the extraction of gold and other precious metals from gold-laden carbon. The Group will purchase the gold-laden carbon from suppliers including mining enterprises and traders. At the Group's production line, gold and other precious metals will be extracted from the gold-laden carbon using processes such as desorption and electrodeposition. The extracted gold and other precious metals will be sold to buyers and dealers in the PRC.

During the Year, revenue generated from gold-laden carbon processing business was approximately HK$2.1 million with loss of approximately HK$1,000.

Investment in Electrical Energy Storage System Solutions Business

The Group has made an investment in Primus Power Corporation ("Primus"), a USA company 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 31 March 2020 was nil (FY2019: nil). Details of the fair value measurement for the Group's investment in Primus are set out in note 12 to this announcement.

FINANCIAL REVIEW

During FY2020, the Outsourced Business Process Management business continued to be the Group's core business which contributed approximately 92.4% (FY2019: approximately 98.7%) of the Group's total revenue. The revenue derived from this business segment was approximately HK$84.5 million, representing a decrease of approximately 2.6% (FY 2019: approximately HK$86.7 million). During FY2020, no revenue derived from the information technology services business segment (FY2019: HK$58,000). The revenue derived from the money lending business segment was approximately HK$4.9 million (FY2019: approximately HK$1.1 million) which was new business segment for the Group. At the close of the FY2020, the Group recorded a total revenue of approximately HK$91.4 million (FY2019: approximately HK$87.8 million), representing an increase of approximately 4.1%. The revenue derived from new business segment this year — gold-laden carbon processing business was approximately HK$2.1 million.

The Group reported a net loss attributable to owners of the Company of approximately HK$11.9 million for FY2020 (FY2019: approximately HK$38.9 million). The decrease in net loss was mainly caused by the following factors:

(i) the decrease in the depreciation of property, plant and equipment of approximately HK$8,093,000 as compared to the same period in last year;

(ii) an absence of the recognition of impairment loss of property, plant and equipment of approximately HK$4,147,000 in the same period last year;

(iii) the increase in the money lending business's revenue due to recognition of the revenue for the full financial year of 2020 as the money lending business commenced in December 2018 by the acquisition of entire equity interest in Powerful Finance Limited; and

(iv) the decrease in the administrative and other operating expenses, from approximately HK$56.3 million in FY2019 to approximately HK$34.7 million in FY2020 due to the cost control measures.

LIQUIDITY, FINANCIAL RESOURCES AND FOREIGN CURRENCY EXPOSURE

As at 31 March 2020, the Group had bank and cash balances of approximately HK$1.6 million. As at the same date, the Group had a liability component of the unsecured and unguaranteed interest-free loan of approximately HK$3.4 million, which was borrowed from a former substantial shareholder of the Company namely, Mr. Yong Khong Yoong Mark ("Mr. Yong"), for the remaining principal amount of HK$3.5 million (the "Loan"). On 11 August 2019, 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. On 30 May 2020, Mr. Yong and the Company had entered a deed of waiver, pursuant to which the payable related to the Loan by the Company to Mr. Yong be waived in entirely.

During the Year, the Group entered into a loan agreement with an independent third party for an unsecured and unguaranteed loan amount to approximately HK$9.1 million with principal amount of HK$8.9 million, interest rate at 3.5% per annum. On 11 May 2020, the lender and the Company entered into a supplemental loan agreement, pursuant to which the repayment date of the loan had been extended to 11 May 2021.

On 5 March 2020, the Group renewed an unsecured loan of approximately HK$13.6 million, with an independent third party with principal amount of approximately HK$13.6 million, interest rate at 14.5% per annum, the loan is guaranteed by Tsang Ho Kwan, a substantial shareholder of the Company and repayable on 5 September 2020.

The gearing ratio of loans against the total equity as at 31 March 2020 was 88.9%. As the majority of bank deposits and cash on hand were denominated in Hong Kong dollar, followed by Macau Pataca, Renminbi and US dollar, the Group's exchange risk exposure depended 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 minimized. 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 year ended 31 March 2020. The Group will continue to monitor its foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

During the year of 2020, a subsidiary of the Group entered into various shareholders' agreements with independent third parties to hold 24.56% equity interest in Maiden Faith Capital Group Limited ("Maiden"). The principal activity of Maiden and its subsidiaries is mainly engaging in provisions of investment advisory services, insurance brokerage services and advisory services on securities dealing. Details are set out in note 11 to this announcement.

Apart from those disclosed in the section headed "Material Acquisition, Disposal and Significant Investment" in this announcement, the Group did not have any other material acquisition, disposal and significant investment during the year ended 31 March 2020.

Significant investments held and their performance

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.

Details of the fair value measurement for the Group's investment in Primus are set out in note 12 to this announcement.

FUTURE DEVELOPMENTS IN THE BUSINESS OF THE GROUP

Looking forward in 2020, apart from the Group's commitment in the core business, the Group has just diversified into the gold-laden carbon processing and the sale of gold and other precious metals business.

In face of the growing uncertainties in global economic and political environment and the historical trend in gold prices, the Board is optimistic about the future worldwide demand for gold. The new business of gold-laden carbon processing will enable the Group to diversify into a promising industry and it is expected to broaden the Group's income stream and increase shareholders' return.

Save as aforesaid, as at the date of this announcement, the Group had no other 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").

EVENTS AFTER THE REPORTING PERIOD

The Group did not have any other significant events after the reporting period.

COMMITMENTS

At the end of the reporting period, the Group had the following commitments:

(a) Capital commitments

As at 31 March 2020, 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).

(b) Commitments under operating leases

As lessee

The Group leases certain of its office properties and staff quarters under operating lease arrangements. Leases are negotiated for a term ranging from one to two years. The Group does not have an option to purchase the leased asset at the expiry of the leased period.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which are payable as follows:

	2019
	HK$'000
Within one year	848
In the second to fifth years, inclusive	217
	1,065

PLEDGE OF ASSETS

At 31 March 2020, the Group did not have any substantial pledge of assets and substantial contingent liabilities.

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 reports since 2010/2011 and interim reports 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 reports since 2010/2011 and interim reports 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 reports since 2010/2011 and interim reports 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 reports since 2010/2011 and interim reports 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.

EMPLOYEES AND REMUNERATION POLICY

The Group employed 45 permanent employees as at 31 March 2020, with 2 employees in the PRC, 7 employees in Hong Kong and 36 employees in Macau.

The Group continues to review the remuneration packages of employees with reference to the level and composition 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 Group supports a fair, transparent and high performance culture through its human resources department, by developing and improving its programs particularly on recruitment, performance management, training and development and employee relations.

CORPORATE GOVERNANCE

The Board adopted the code provisions set out in the Corporate Governance Code contained in Appendix 14 ("CG Code") to the Listing Rules and the Model Code for Securities Transactions by Directors of Listed Issuers, contained in Appendix 10 ("Model Code") to the Listing Rules as the Company's corporate governance code and as the Company's code for securities transactions by directors of the Company (the "Directors") respectively.

The Company had made specific enquiry of all the Directors and confirmed that all the Directors have complied with the required standard as set out in the Model Code during the financial year ended 31 March 2020.

The Company has sent a written confirmation to each independent non-executive director of the Company ("INED") requesting for their confirmation of independence during the financial year ended 31 March 2020 with reference to the factors set out in Rule 3.13 of the Listing Rules and other relevant factors. All INEDs confirmed that they have satisfied the independence requirements and accordingly, the Company considers the INEDs to be independent during the financial year ended 31 March 2020.

The Board is satisfied that the Company has complied with the applicable code provisions of the CG Code throughout the financial year ended 31 March 2020 except for the following deviations:

(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. Non-executive Directors of the Company 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.

(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 and Chief Executive Officer of the Company were both performed by Mr. DING Lei ("Mr. Ding"), an Executive Director of the Company with effect from 20 September 2019. Mr. Ding was subsequently re-designated as the Co-Chief Executive Officer, together with Mr. ZHU Tianxiang ("Mr. Zhu"), an Executive Director of the Company jointly as the Co-Chief Executive Officer of the Company with effect from 11 June 2020. The Board considers that having Mr. Ding to act as the Chairman and Co-Chief Executive Officer of the Company would enhance the operation efficiency and core competitiveness of the Group, more clearly define the organizational 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.

AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee of the Company comprises three INEDs, namely Ms. WONG Chi Yan (Chairman), Mr. DENG Yougao and Mr. CHONG Lok Man. The Audit Committee had reviewed the accounting principles and practices adopted by the Group, and had discussed auditing, internal control and financial reporting matters, including the review of the annual results for the financial year ended 31 March 2020, with the Company's management and the external auditors.

INTERNAL CONTROL

For the internal audit function, the Group engaged an independent advisory firm to perform independent reviews and reported regularly the review results to the Board through the Audit Committee on the adequacy and effectiveness of the Group's internal control and risk management systems. The Board, through the Internal Audit function of the Group, has conducted annual review of the effectiveness of the system of internal control of the Group including the relevant financial, operational and compliance controls and risk management procedures. Such procedures are designed to manage rather than to eliminate risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The review report showed that the Group maintained an effective internal control system and no major control deficiency had been identified during the Year. The scope and findings of the review had been reported to and reviewed by the Audit Committee.

The Board also reviewed and was satisfied with the adequacy of resources, qualifications and experience of the employees of the Group's accounting and financial reporting function, and their training programmes and budget.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2020 as set out in this announcement have been agreed by the Group's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2020. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on this announcement.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company will be held on 28 September 2020 ("2020 AGM").

The register of members of the Company will be closed during the periods from 23 September 2020 to 28 September 2020, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders' eligibility to attend and vote at the 2020 AGM. In order to be eligible to attend and vote at the 2020 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 22 September 2020.

By order of the Board
Success Dragon International Holdings Limited
DING Lei
Chairman, Co-Chief Executive Officer and Executive Director

Hong Kong, 29 June 2020

As at the date of this announcement, the Board comprises three Executive Directors, namely Mr. DING Lei, Mr. ZHU Tianxiang and Ms. CHEUNG Nai Yuet; and three Independent Non-Executive Directors, namely Mr. DENG Yougao, Ms. WONG Chi Yan and Mr. CHONG Lok Man.