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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)

PROFIT WARNING

This announcement is made by Success Dragon International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcement of the Company dated 22 November 2021 in respect of the positive profit alert (the “**PPA Announcement**”) for the unaudited consolidated results of the Group for the six months ended 30 September 2021 (the “**Interim Period**”) and the unaudited results announcement of the Company dated 26 November 2021 for the Interim Period (the “**Interim Announcement**”). In the PPA Announcement, the Company explained that the Group’s expected to record a turnaround from a net loss of HK\$6.1 million for the six months ended 30 September 2020 to a net profit of HK\$4.4 million for the Interim Period (the “**Interim Profit**”), which was mainly attributable to the net effect of increase in revenue of the gold-laden carbon processing and trading business and the outsourced business process management business, increase in gross profit and increase in income tax expense. As disclosed in the Interim Announcement, the Group recorded an unaudited net profit of approximately HK\$4.4 million for the Interim Period.

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that, based on a preliminary review of the unaudited consolidated management accounts of the Group for the 11 months ended 28 February 2022 (the “**11-month Period**”) and assessment of the latest information currently available to the Board, the Group is expected to record an unaudited net profit of approximately HK\$1.1 million for the 11-month Period (the “**Profit Estimate**”).

The Profit Estimate is less than the Interim Profit as the Group was loss-making in the five months ended 28 February 2022. The Group’s most profitable business, that is the gold-laden carbon processing and trading business, generated lower levels of revenue, gross profit and net profit on a monthly basis in the five months ended 28 February 2022 as compared to those for the Interim Period due to the grade of gold-laden carbon (which reflects the gold content) supplied by the Group’s supplier in the five months ended 28 February 2022 being lower than that in the Interim Period. The lower grade of gold-laden

carbon produced less gold products, resulting in lower net profit of the gold-laden carbon processing business in the five months ended 28 February 2022 which was not sufficient to support the loss recorded by the outsourced business process management business and the corporate overhead of the Group in the same period.

The information contained in this announcement is based on the information currently available to the Board and the preliminary review of the unaudited consolidated management accounts of the Group for the 11-month Period, which have not yet been reviewed or audited by the auditors of the Company.

Reference is made to the announcement of the Company dated 15 March 2022 in respect of the proposed rights issue (the “**Rights Issue**”), connected transaction in relation to the underwriting agreement and application for whitewash waiver (the “**Rights Issue Announcement**”). Following the publication of the Rights Issue Announcement, the Company is required to comply with the requirements under the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”). The Profit Estimate constitutes a profit forecast pursuant to Rule 10 of the Takeovers Code and has been reported on by the Company’s auditors, ZHONGHUI ANDA CPA Limited (“**ZHONGHUI**”), and the Company’s financial adviser, Optima Capital Limited (“**Optima Capital**”), in accordance with Rule 10.4 of the Takeovers Code. Such reports have been lodged with the Executive (as defined in the Rights Issue Announcement) and the text of which are set out in the appendices to this announcement.

Each of ZHONGHUI and Optima Capital has given and has not withdrawn its consent to the issue of this announcement with the inclusion of its report and references to use its name in the form and context in which they appear in this announcement.

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
Success Dragon International Holdings Limited
DING Lei

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 6 April 2022

As at the date of this announcement, the Executive Directors are Mr. DING Lei and Ms. DENG Ganghui; the Independent Non-Executive Directors are Mr. DENG Yougao, Ms. WONG Chi Yan and Mr. CHONG Lok Man.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

Appendix I - Letter from Optima Capital Limited



Optima Capital Limited
Suite 1501, 15th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

6 April 2022

The Board of Directors
Success Dragon International Holdings Limited
Room 903, 9/F., Tower A
New Mandarin Plaza
14 Science Museum Road
TST East, Kowloon
Hong Kong

Dear Sirs,

**Re: Success Dragon International Holdings Limited
Profit estimate for the 11 months ended 28 February 2022**

We refer to the announcement dated 6 April 2022 (the “**Announcement**”) issued by Success Dragon International Holdings Limited (the “**Company**”). Capitalised terms used in this letter shall have the same meanings as defined in the Announcement unless otherwise specified.

We also refer to the statement (the “**Statement**”) made by the directors of the Company (the “**Directors**”) in the Announcement that based on a preliminary review of the unaudited consolidated management accounts of the Group for the 11 months ended 28 February 2022 (the “**11-month Period**”) and assessment of the latest information currently available to the Board, the Group is expected to record an unaudited net profit of approximately HK\$1.1 million for the 11-month Period (the “**Profit Estimate**”).

We note that the Profit Estimate constitutes a profit forecast under Rule 10 of the Takeovers Code. As the Profit Estimate relates to a period which has already expired, no assumptions are involved when preparing the Profit Estimate. Accordingly, we have discussed with the Directors the bases upon which the Profit Estimate was made. The Profit Estimate has been compiled by the Directors based on the unaudited consolidated management accounts of the Group prepared by the Directors for the 11-month Period. The Directors are solely responsible for the compilation of the Profit Estimate. We have also considered the letter from ZHONGHUI ANDA CPA Limited on the Profit Estimate dated 6 April 2022 (the “**Letter**”) issued to you which states that so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the Directors as set out under the paragraph headed “Directors’ responsibilities” in the Letter and has been presented on a basis consistent, in all material respects, with the accounting policies adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 March 2021.

Based on our review, we are satisfied that the Profit Estimate has been prepared by the Directors after due care and consideration.

Yours faithfully,

for and on behalf of

OPTIMA CAPITAL LIMITED

Melinda Wong

Director, Corporate Finance

Appendix II - Letter from ZHONGHUI ANDA CPA Limited

6 April 2022

The Board of Directors
Success Dragon International Holdings Limited
Room 903, 9/F., Tower A, New Mandarin Plaza,
14 Science Museum Road, Tsim Sha Tsui East,
Kowloon, Hong Kong

Dear Sirs,

We have performed our work on the principal accounting policies adopted and the calculations used in the preparation of the unaudited net profit of Success Dragon International Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) for the 11 months ended 28 February 2022 (the “**Period**”) as set out in the statement, prepared by the directors of the Company for inclusion in the announcement of the Company dated 6 April 2022 (the “**Announcement**”) which disclosed, among other things, that the Group is expected to record an unaudited net profit of approximately HK\$1.1 million for the Period (the “**Profit Estimate**”). We understand that the Profit Estimate is required to be reported on under Rule 10 of the Hong Kong Code on Takeovers and Mergers. Unless otherwise defined, terms used herein shall have the same meanings as those defined in the Announcement.

DIRECTORS’ RESPONSIBILITIES

The Profit Estimate has been compiled by the directors of the Company based on the unaudited consolidated management accounts of the Group prepared by the directors of the Company. The Profit Estimate was prepared on a basis consistent with the accounting policies adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 March 2021. This responsibility includes designing, implementing and maintaining internal controls relevant to the selection and application of appropriate accounting policies and the calculations in the preparation of the Profit Estimate that is free from material misstatement; applying appropriate accounting policies adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 March 2021; and making estimates that are reasonable in the circumstances.

The directors of the Company are solely responsible for the compilation of the Profit Estimate.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANTS’ RESPONSIBILITIES

It is our responsibility to report, as required by Rule 10 of the Hong Kong Code on Takeovers and Mergers, on whether, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors of the Company as set out under the paragraph headed “Directors’ responsibilities” of this report and has been prepared on a basis consistent, in all material respects, with the accounting policies adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 March 2021.

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” (“**HKSAE 3000 (Revised)**”) issued by the HKICPA.

Our work consisted primarily of procedures such as a) obtaining an understanding of the basis of preparation and the principal accounting policies adopted for compiling the Profit Estimate through inquires primarily of persons responsible for financial and accounting matters, b) obtaining an understanding of the internal controls relevant to the selection and application of appropriate accounting policies and the calculations in the preparation of the Profit Estimate, c) comparing the principal accounting policies adopted in the preparation of the Profit Estimate with those adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 March 2021, d) checking solely the arithmetical calculations and the compilation of the Profit Estimate, and such other procedures that we considered necessary in the circumstances in accordance with HKSAE 3000 (Revised). Our work would not enable us to, and we do not, provide any assurance on the design or operational effectiveness of internal control relating to the preparation of the Profit Estimate.

Our reasonable assurance engagement does not constitute an audit or review conducted in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA. Accordingly, we do not express an audit or review opinion on the Profit Estimate.

OPINION

In our opinion, based on the foregoing, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors of the Company as set out under the paragraph headed “Directors’ responsibilities” of this report and has been prepared on a basis consistent, in all material respects, with the accounting policies adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 March 2021.

Yours faithfully,

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Hong Kong