
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Success Dragon International Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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This circular appears for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities mentioned herein.

Success Dragon International Holdings Limited

勝龍國際控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1182)

- (I) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY TWO (2) SHARES HELD ON THE RECORD DATE;
(II) CONNECTED TRANSACTION IN RELATION TO THE UNDERWRITING AGREEMENT;
(III) APPLICATION FOR WHITEWASH WAIVER;
AND
(IV) NOTICE OF SPECIAL GENERAL MEETING

Financial adviser to the Company



Placing agent of the Rights Issue



Independent financial adviser
to the Independent Board Committee and the Independent Shareholders



A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 51 to 52 of this circular. A letter from Halcyon Capital, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 53 to 83 of this circular.

The notice convening the SGM of Success Dragon International Holdings Limited to be held at Units 5 & 6, 17/F, Convention Plaza Office Tower, 1 Harbour Road, Wan Chai, Hong Kong on Monday, 16 May 2022, at 10:00 a.m. or at any adjournment thereof is set out on pages SGM-1 to SGM-4 of this circular. A form of proxy for use at the SGM is enclosed with this circular. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk.

Special arrangements and precautionary measures to be taken at the SGM for better protection of the safety and health of the Shareholders and other participants at the meeting in light of COVID-19 are set out at on pages 8 to 12 of this circular. In view of the current COVID-19 situation and the changing government regulations on social distancing measures in Hong Kong, **the Company strongly encourages Shareholders to exercise their right to vote at the SGM by appointing a proxy, or failing him, the chairman of the SGM** (who is expected to be an independent non-executive Director) or any independent non-executive Directors as their proxy and to return their forms of proxy by the time specified above, instead of attending the SGM in person. Shareholders may view and listen to the SGM through a live webcast of the SGM which can be accessed via Tencent Meeting on a computer, tablet or any browser enabled devices. Please follow the instructions on the landing page on how to access the webcast. You will be able to access the live webcast at the start of the SGM until its conclusion. **Shareholders should note that no remote voting system is provided at the live webcast.**

Whether or not you intend to attend the SGM, you are requested to complete the enclosed form of proxy and indicate voting instruction in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Tricor Secretaries Limited at, Level 54, Hopewell Centre 183 Queen's Road East, Hong Kong as soon as possible and in any event no less than forty-eight (48) hours before the time for holding the SGM (i.e. by 10:00 a.m. on Saturday, 14 May 2022) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjournment thereof.

It should be noted that the Underwriting Agreement contains provisions entitling the Underwriter by notice in writing to the Company served prior to 4:00 p.m. on Monday, 20 June 2022 to terminate the obligations of the Underwriter thereunder on the occurrence of certain events. Such events are set out in the section headed "Termination of the Underwriting Agreement" of this circular. If the Underwriter terminates the Underwriting Agreement, or the Underwriting Agreement does not become unconditional, the Rights Issue will not proceed.

22 April 2022

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Announcement”	the announcement of the Company dated 15 March 2022 in relation to, among other things, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Bay Area Gold Group”	Bay Area Gold Group Limited, a company whose shares are listed on the Stock Exchange (stock code: 1194)
“Board”	the board of Directors
“Business Day(s)”	day(s) on which the Stock Exchange is open for the transaction of business
“BVI”	the British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Chairman”	chairman of the Board
“Company”	Success Dragon International Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Stock Exchange (stock code: 1182)
“Compensatory Arrangements”	the arrangement involving the Placing of the Unsubscribed Rights Shares, if any, by the Placing Agent on a best effort basis pursuant to the Placing Agreement in accordance with Rule 7.21(1)(b) of the Listing Rules
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)
“Framework Agreement”	the framework agreement dated 15 March 2022 entered into between Henan Xingluan and Jinxing Mining in relation to the establishment of the New Plant

DEFINITIONS

“Group”	the Company and its subsidiaries
“Halcyon Capital” or “Independent Financial Adviser”	Halcyon Capital Limited, a company incorporated in Hong Kong with limited liability and licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company with the approval of the Independent Board Committee for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver
“Henan Xingluan”	河南興鸞環保科技有限責任公司(Henan Xingluan Environment Technology Company Limited*), a wholly and beneficially owned subsidiary of the Company
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“I Win Securities” or “Placing Agent”	I Win Securities Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation to carry on Type 1 (dealing in securities) regulated activities under the SFO, being the placing agent appointed by the Company pursuant to the Placing Agreement
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, Mr. Deng Yougao, Ms. Wong Chi Yan and Mr. Chong Lok Man, which has been established to give recommendation to the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver, and as to the voting action therefor
“Independent Shareholder(s)”	Shareholder(s) other than Mr. Liu, its associates and parties acting in concert with him (including Stone Steps) and any Shareholder(s) who are involved in, or interested in (other than by being a Shareholder), or have a material interest in the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and/or the Whitewash Waiver
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected persons
“Interim Period”	the six months ended 30 September 2021

DEFINITIONS

“Interim Profit”	the profit attributable to owners of the Company recorded by the Group during the Interim Period
“Irrevocable Undertaking”	the irrevocable undertaking given by Mr. Liu in favour of the Company under the Underwriting Agreement and described in the paragraph headed “The Irrevocable Undertaking” under the section headed “Proposed Rights Issue” in the “Letter from the Board” in this circular
“Jinxing Mining”	栾川縣金興礦業有限責任公司 (Luanchuan Jinxing Mining Limited Liability Company*), a wholly and beneficially owned subsidiary of Bay Area Gold Group
“Last Trading Day”	14 March 2022, being the last trading day of the Shares on the Stock Exchange immediately prior to the publication of the Announcement
“Latest Placing Time”	4:00 p.m. on Monday, 20 June 2022, or such later date and time as the Company and the Placing Agent may agree in writing, being the latest date and time for the Placing Agent to effect the Compensatory Arrangements
“Latest Practicable Date”	19 April 2022, being latest practicable date prior to the publication of this circular
“Latest Time for Acceptance”	4:00 p.m. on Monday, 13 June 2022, or such other time or date as may be agreed in writing between the Company and the Underwriter, being the latest time for acceptance of and payment for the Rights Shares
“Latest Time for Termination”	4:00 p.m. on Monday, 20 June 2022, or such other time or date as may be agreed between the Company and the Underwriter in writing, being the latest time to terminate the Underwriting Agreement
“Listing Committee”	has the same meaning ascribed thereto under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macao Special Administrative Region of the PRC
“Mr. Liu”	Mr. Liu Shiwei, a substantial shareholder of the Company

DEFINITIONS

“No Action Shareholders(s)”	those Qualifying Shareholders(s) who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or their renounees, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed
“Non-Qualifying Shareholder(s)”	those Overseas Shareholder(s) to whom the Directors, after making enquiries, consider it necessary or expedient not to offer the Rights Shares on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“NQS Rights Share(s)”	the Rights Share(s) which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form
“Overseas Shareholder(s)”	Shareholder(s) whose address(es) on the register of members of the Company on the Record Date is(are) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be issued to the Qualifying Shareholder(s) for the Rights Issue
“Placee(s)”	professional, institutional or other investor(s), who and whose ultimate beneficial owner(s) shall not be a Shareholder and shall be Independent Third Party(ies) and not acting in concert with Mr. Liu and parties acting in concert with him (including Stone Steps) and/or the connected persons of the Company, procured by the Placing Agent and/or its sub-placing agent(s) to subscribe for any of the Unsubscribed Rights Shares pursuant to the Placing Agreement
“Placing”	the placing of a maximum of 152,308,699 Unsubscribed Rights Shares on a best effort basis by the Placing Agent and/or its sub-placing agents(s) to the Placees on the terms and conditions of the Placing Agreement
“Placing Agreement”	the placing agreement dated 15 March 2022 entered into between the Company and the Placing Agent in relation to the Placing
“Placing Completion Date”	the third Business Day following the satisfaction of the placing conditions set out in the Placing Agreement or such other date as the Company and the Placing Agent may agree
“PRC” or “China”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau and Taiwan

DEFINITIONS

“Profit Estimate”	the consolidated profit attributable to owners of the Company expected to be recorded by the Group for the 11 months ended 28 February 2022
“Prospectus”	the prospectus to be despatched to the Qualifying Shareholders(s) (and the Non-Qualifying Shareholder(s) for information only) in connection with the Rights Issue
“Prospectus Documents”	the Prospectus and the PAL
“Prospectus Posting Date”	Friday, 27 May 2022, or such other date as may be agreed in writing between the Company and the Underwriter, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders or the Prospectus to the Non-Qualifying Shareholders (as the case may be)
“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholder(s), whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	Thursday, 26 May 2022, or such other date as may be agreed in writing between the Company and the Underwriter, being the record date for determining the entitlements of the Shareholders to participate in the Rights Issue
“Registrar”	Tricor Secretaries Limited, the Company’s Hong Kong branch share registrar and transfer office in Hong Kong, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Relevant Period”	the period commencing six months prior to the date of the Announcement and ending on the Latest Practicable Date
“Rights Issue”	the proposed issue of new Shares by way of rights on the basis of three (3) Rights Shares for every two (2) Shares held at the close of business on the Record Date at the Subscription Price pursuant to the Prospectus Documents
“Rights Share(s)”	the new Share(s) to be allotted and issued under the Rights Issue
“Settlement Date”	Monday, 20 June 2022, being the fifth Business Day following the Latest Time for Acceptance (or such other time or date as the Underwriter and the Company may agree in writing) as the day for settlement of the Rights Issue
“SFC”	the Securities and Futures Commission of Hong Kong

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder, and the Whitewash Waiver
“Share(s)”	ordinary share(s) of HK\$0.01 each in the existing share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Singapore”	the Republic of Singapore
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Stone Steps”	Stone Steps Investments Limited, an investment holding company incorporated in the BVI with limited liability which is wholly and beneficially owned by Mr. Liu
“Subscription Price”	the subscription price of HK\$0.34 per Rights Share
“substantial shareholder(s)”	has the meaning as ascribed thereto under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriter”	Mr. Liu
“Underwriting Agreement”	the underwriting agreement dated 15 March 2022 entered into between the Company and the Underwriter in relation to the Rights Issue
“Unsubscribed Rights Shares”	those Rights Shares that are not subscribed by the Qualifying Shareholders and the NQS Rights Shares that are not successfully sold by the Company as described in the paragraph headed “Arrangements for the NQS Rights Shares” in the “Letter from the Board” in this circular
“Untaken Rights Shares”	all the Unsubscribed Rights Shares that are not placed by the Placing Agent or they have been placed but the placees have not paid therefor at 4:00 p.m. on the Placing Completion Date
“US”	the United States

DEFINITIONS

“Whitewash Waiver”	a waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code to waive the obligation of Mr. Liu to make a mandatory general offer to the Shareholders in respect of the Shares not already owned or agreed to be acquired by Mr. Liu and parties acting in concert with him (including Stone Steps) as a result of the taking up of the Rights Shares by Mr. Liu as the underwriter pursuant to the Underwriting Agreement
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

* The English translation of the Chinese names in this circular, where indicated, are intended for identification purpose only and should not be regarded as the official English names of such Chinese names.

If there is any inconsistency in this circular between the Chinese and English versions, the English version shall prevail.

SPECIAL ARRANGEMENTS AND PRECAUTIONARY MEASURES FOR THE SGM

The Company cares about the health of the Shareholders, staff and stakeholders which is of paramount importance. Should the ongoing novel coronavirus COVID-19 pandemic (the “**COVID-19 Pandemic**”) continue to affect Hong Kong at or around the time of the SGM, the Company will implement the following special arrangements and precautionary measures at the SGM in the interests of the health and safety of the attendees of the SGM which include without limitation:

- (i) Voting by proxy in advance of the SGM — the Company does not in any way wish to diminish the opportunity available to the Shareholders to exercise their rights to vote, but is conscious of the pressing need to protect the Shareholders from possible exposure to the COVID-19 pandemic.
- (ii) The Company would like to remind the Shareholders that it is possible that Shareholders and/or their representatives may not be able to attend in person at the SGM venue depending on prevailing regulations imposed by the Government of Hong Kong, including but not limited to any ban on conducting physical general meetings of companies under the Regulations (as defined below). Shareholders and/or their representatives who are denied entry to the venue of the SGM will, subject to the Regulations, be provided with voting slips of the SGM at the door and may complete, sign and return the voting slips to exercise their voting rights.
- (iii) The Company strongly encourages Shareholders to exercise their rights to vote at the SGM by appointing a proxy, or failing him, the chairman of the SGM (who is expected to be an independent non-executive Director) or any independent non-executive Directors as their proxy and to return their forms of proxy to the Company’s Hong Kong branch share registrar and transfer office not less than 48 hours before the time fixed for holding the SGM, (i.e. by 10:00 a.m. on Saturday, 14 May 2022 or any adjournment thereof), instead of attending the SGM in person.

ATTENDANCE AT THE SGM VENUE

Under the Prevention and Control of Disease (Requirements and Directions) (Business and Premises) Regulation (Chapter 599F of the Laws of Hong Kong) and the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (Chapter 599G of the Laws of Hong Kong) (the “**Regulations**”), group gatherings (including but not limited to conducting physical general meetings of companies) are restricted (the “**Requirement**”). As at the Latest Practicable Date, the Regulations include a ban on conducting physical general meetings of companies during a “specified period” (as defined in the Regulations), which, according to announcements made by the Government of Hong Kong, is to remain in effect until 20 April 2022 (but may be extended by the Government of Hong Kong). As announced by the Government of Hong Kong, the existing social distancing measures can be eased from 21 April 2022 onwards on the condition that the epidemic situation shows no signs of a rebound and the downward trend continues. The relaxation will be carried out in three phases over a period of three months. Depending on the prevailing regulations on the date of the SGM, there may be limited capacity of the SGM venue and requirements for social distancing to ensure attendees’ safety, so admission to the SGM venue may not be granted in excess of the capacity of the SGM venue. Shareholders and/or their representatives who are denied entry to the venue of the SGM will, subject to the Regulations, be provided with voting slips of the SGM at the door and may complete, sign and return the voting slips to exercise their voting rights.

SPECIAL ARRANGEMENTS AND PRECAUTIONARY MEASURES FOR THE SGM

Shareholders will not be precluded from attending and voting in person at the SGM (or any adjourned meeting thereof). In any event, Shareholders will not be deprived of their rights of voting on the resolution(s) to be proposed at the SGM (or any adjourned meeting thereof).

The Company will also implement the following additional precautionary measures at the SGM to ensure the health and safety of the attendees at the SGM:

- (i) All attendees will be required to wear surgical face masks before they are permitted to attend, and during their attendance of, the SGM. Attendees are advised to observe good personal hygiene and maintain appropriate social distance with each other at all times when attending the SGM.
- (ii) There will be compulsory body temperature screening for all persons before entering the SGM venue. Should anyone seeking to attend the SGM decline to submit to temperature testing or be found to be suffering from a fever with a body temperature of 37.3 degrees Celsius or above or otherwise unwell, the Company will request such persons to stay in an isolated place for completing the voting procedures.
- (iii) Attendees may be asked if (i) he/she has travelled outside of Hong Kong within 14 days immediately before the SGM; (ii) he/she is subject to any Government of Hong Kong prescribed quarantine requirement; and (iii) he/she has any flu-like symptoms or close contact with any person under quarantine or with recent travel history. Any person who responds positively to any of these questions will be requested to stay in an isolated place for completing the voting procedures.
- (iv) Appropriate distancing and spacing in line with the guidance from the Government of Hong Kong will be maintained and as such, the Company may limit the number of attendees at the SGM as may be necessary to avoid over-crowding.
- (v) Each attendee will be assigned a designated seat to facilitate contact tracing and to ensure appropriate social distancing.
- (vi) No gifts, food or beverages will be provided at the SGM.
- (vii) Company staff and representatives at the SGM venue will assist with crowd control and queue management to ensure appropriate social distancing.
- (viii) Attendees who do not comply with the precautionary measures (i) to (iii) above or been found to have the symptom(s) of an upper respiratory system disease or be obeying a quarantine order may be denied entry to the SGM venue at the absolute discretion of the Company as permitted by law. Shareholders and/or their representatives who are denied entry to the venue of the SGM will, subject to the Regulations, be provided with voting slips of the SGM at the door and may complete, sign and return the voting slips to exercise their voting rights.

SPECIAL ARRANGEMENTS AND PRECAUTIONARY MEASURES FOR THE SGM

- (ix) Due to the constantly evolving COVID-19 pandemic situation, the Company may implement further changes and precautionary measures in relation to the SGM arrangements at short notice. Shareholders should check the website of the Company (www.successdragonintl.com) or the Stock Exchange (www.hkexnews.hk) for any announcements.

Furthermore, the Company would like to remind Shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising voting rights and strongly recommends Shareholders to appoint the chairman of the SGM (who is expected to be an independent non-executive Director) or any independent non-executive Director as their proxy and submit their form of proxy with voting instructions as early as possible.

ATTENDANCE BY ELECTRONIC MEANS OR IN THE EVENT OF AN EXTENSION OF THE BAN OF PHYSICAL GENERAL MEETINGS

The SGM will be conducted in combination of an in-room meeting at Units 5 & 6, 17/F, at least Convention Plaza Office Tower, 1 Harbour Road, Wan Chai, Hong Kong and a live webcast, with at least the necessary number of persons as is legally required to form a quorate meeting by the Directors who are Shareholders or proxy. Shareholders can participate and submit questions at the SGM through the live webcast via Tencent Meeting.

For Shareholders who would like to view and listen to the SGM live webcast, you will need to register by sending an email to is-enquiries@hk.tricorglobal.com or via telephone hotline at (852) 2980 1333 by providing personal particulars as follows:

- (a) full name;
- (b) registered address;
- (c) number of Shares held;
- (d) contact telephone number; and
- (e) email address,

by 10:00 a.m. on Wednesday, 11 May 2022 (being not less than three (3) business days before the time for holding the SGM) to enable the Company to verify the Shareholders' status. Authenticated Shareholders will receive an email confirmation by 13 May 2022 which contains a link to join the live webcast of the SGM. Shareholders MUST NOT forward the link to other persons who are not Shareholders and who are not entitled to attend the SGM.

SPECIAL ARRANGEMENTS AND PRECAUTIONARY MEASURES FOR THE SGM

The SGM is an important opportunity for all Shareholders to express their views by asking questions and voting, and the Shareholders' participation at the SGM continues to be important. Shareholders may submit question(s) on the business of the meeting in advance by 10:00 a.m. on Wednesday, 11 May 2022 (being not less than three (3) business days before the time for holding the SGM) by email to is-enquiries@hk.tricorglobal.com providing personal particulars as follows for verification purposes:

- (a) full name;
- (b) registered address;
- (c) number of Shares held;
- (d) contact telephone number; and
- (e) email address.

Shareholders can also submit questions during the SGM through the webcast link to be provided. The Board will arrange for as many of the questions asked to be answered as possible at the SGM.

Shareholders should note that no remote voting system is provided at the live webcast.

It is possible that Shareholders and/or their representatives may not be able to attend in person at the SGM venue depending on prevailing regulations imposed by the Government of Hong Kong. Shareholders and/or their representatives who are denied entry to the venue of the SGM will, subject to the Regulations, be provided with voting slips of the SGM at the door and may complete, sign and return the voting slips to exercise their voting rights. The Company strongly encourages Shareholders to exercise their rights to vote at the SGM by appointing a proxy, or failing him, the chairman of the SGM (who is expected to be an independent non-executive Director) or any independent non-executive Directors as their proxy and to return their forms of proxy at the Company's Hong Kong branch share registrar and transfer office not less than 48 hours before the time fixed for holding the SGM (i.e. by 10:00 a.m. on Saturday, 14 May 2022 or any adjournment thereof), instead of attending the SGM in person.

SPECIAL ARRANGEMENTS AND PRECAUTIONARY MEASURES FOR THE SGM

In appointing a proxy, or failing him, the chairman of the SGM as proxy, Shareholders (whether individual or corporate) must give specific instructions as to voting in the proxy form, the duly completed and signed proxy form must be deposited together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, at the office of the Company's Hong Kong branch share registrar and transfer office, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 10:00 a.m. on Saturday, 14 May 2022 (being not less than forty-eight (48) hours before the SGM), failing which the appointment will be treated as invalid.

Due to the constantly evolving COVID-19 pandemic situation, the Company may implement further changes and precautionary measures in relation to the SGM arrangements at short notice. Shareholders should check the website of the Company (www.successdragonintl.com) or the Stock Exchange (www.hkexnews.hk) for any announcements.

If you have any queries related to the SGM, please contact Tricor Secretaries Limited via their hotline at (852) 2980 1333 from 9:00 a.m. to 6:00 p.m. (Monday to Friday, excluding Hong Kong public holidays).

All non-registered Shareholders may consult directly with their banks, brokers, custodians, nominees or HKSCC Nominees Limited through which their Shares are held (as the case may be) for necessary arrangements to attend and vote via the live webcast at the SGM or any adjourned meeting thereof if they wish.

EXPECTED TIMETABLE

Set out below is the expected timetable for the Rights Issue. All times and dates stated in this circular refer to Hong Kong local times and dates. The expected timetable is indicative only and may be varied. Any changes to the expected timetable will be announced by way of an announcement by the Company as and when appropriate.

Event	Time and date
Date of this circular	Friday, 22 April 2022
Latest time for lodging transfer of Shares to qualify for attendance and voting at the SGM	4:30 p.m. on Friday, 6 May 2022
Closure of register of members of the Company (both days inclusive)	Tuesday, 10 May 2022 to Monday, 16 May 2022
Latest time for lodging proxy forms for the SGM	10:00 a.m. on Saturday, 14 May 2022
Record date for attendance and voting at the SGM	Monday, 16 May 2022
Expected time and date of the SGM	10:00 a.m. on Monday, 16 May 2022
Announcement of the poll results of the SGM	Monday, 16 May 2022
Last day of dealings in the Shares on cum-rights basis relating to the Rights Issue	Tuesday, 17 May 2022
First day of dealings in the Shares on ex-rights basis relating to the Rights Issue	Wednesday, 18 May 2022
Latest time for the Shareholders to lodge transfer of the Shares in order to qualify for the Rights Issue	4:30 p.m. on Thursday, 19 May 2022
Closure of register of members of the Company for the Rights Issue (both days inclusive)	Friday, 20 May 2022 to Thursday, 26 May 2022
Record date for the Rights Issue	Thursday, 26 May 2022
Despatch of the Prospectus Documents	Friday, 27 May 2022
First day of dealings in nil-paid Rights Shares	Tuesday, 31 May 2022
Latest time for splitting of nil-paid Rights Shares	4:30 p.m. on Thursday, 2 June 2022

EXPECTED TIMETABLE

Event	Time and date
Last day of dealings in nil-paid Rights Shares	Wednesday, 8 June 2022
Latest time for lodging transfer documents of nil-paid Rights Shares in order to qualify for the Compensatory Arrangements	4:00 p.m. on Monday, 13 June 2022
Latest time for acceptance of and payment for the Rights Shares	4:00 p.m. on Monday, 13 June 2022
Announcement of the number of Unsubscribed Rights Shares subject to the Compensatory Arrangements	Wednesday, 15 June 2022
Commencement of placing of Unsubscribed Rights Shares by the Placing Agent	Thursday, 16 June 2022
Latest time of placing of the Unsubscribed Rights Shares by the Placing Agent	4:00 p.m. on Monday, 20 June 2022
Latest time for terminating the Underwriting Agreement and for the Rights Issue to become unconditional	4:00 p.m. on Monday, 20 June 2022
Announcement of results of the Rights Issue (including results of the placing of Unsubscribed Rights Shares and the amount of the Net Gain per Unsubscribed Rights Share under the Compensatory Arrangements)	Friday, 24 June 2022
Despatch of share certificates for fully-paid Rights Shares and completion of Placing to take place	on or before Monday, 27 June 2022
Refund cheques, if any, to be despatched (if the Rights Issue is terminated)	on or before Monday, 27 June 2022
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Tuesday, 28 June 2022
Payment of Net Gain to relevant No Action Shareholders and net proceeds from sale of nil-paid Rights Shares to the relevant Non-Qualifying Shareholders (if any)	Monday, 11 July 2022

EXPECTED TIMETABLE

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION

The Latest Time for Acceptance and payment for the Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, or “extreme conditions” caused by super typhoons which is announced by the Government of Hong Kong, or a “black” rainstorm warning:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead, the Latest Time for Acceptance and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead, the Latest Time for Acceptance and payment for the Rights Shares will be extended to 4:00 p.m. on the next Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance and payment for the Rights Shares are postponed in accordance with the foregoing, the dates of the events subsequent to the Latest Time for Acceptance mentioned in this section may be affected. An announcement will be made as soon as practicable by the Company in such event.

TERMINATION OF THE UNDERWRITING AGREEMENT

Pursuant to the Underwriting Agreement, the Underwriter shall be entitled by a notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement if, prior to the Latest Time for Termination:

1. in the reasonable opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may materially and adversely affect the business or the financial or trading position or prospects of the Company as a whole or is materially adverse in the context of the Rights Issue; or
 - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date thereof) of a political, military, financial, economic or other nature (whether or not *ejusdem generis* with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may materially and adversely affect the business or the financial or trading position or prospects of the Company as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
2. any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
3. there is any change in the circumstances of the Company which in the reasonable opinion of the Underwriter will materially and adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or the destruction of any material asset of the Company; or
4. any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which in the reasonable opinion of the Underwriter will materially and adversely affect the success of the Rights Issue and/or the prospects of the Company taken as a whole; or
5. any other material adverse change in relation to the business or the financial or trading position or prospects of the Company as a whole whether or not *ejusdem generis* with any of the foregoing; or

TERMINATION OF THE UNDERWRITING AGREEMENT

6. any matter which, had it arisen or been discovered immediately before the date of the Prospectus Documents and not having been disclosed in the Prospectus Documents, would have constituted, in the reasonable opinion of the Underwriter, an omission which is material in the context of the Rights Issue; or
7. any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements in connection with the Rights Issue.

If prior to the Latest Time for Termination any such notice as is referred to above is given by the Underwriter, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine.

If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed. A further announcement will be made by the Company if the Underwriter terminates the Underwriting Agreement.

LETTER FROM THE BOARD

Success Dragon International Holdings Limited

勝龍國際控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1182)

Executive Directors:

Mr. DING Lei *(Chairman and chief executive officer)*

Ms. DENG Ganghui

Independent non-executive Directors:

Mr. DENG Yougao

Ms. WONG Chi Yan

Mr. CHONG Lok Man

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Principal place of business

in Hong Kong:

Room 903, 9/F, Tower A

New Mandarin Plaza

14 Science Museum Road

TST East, Kowloon, Hong Kong

22 April 2022

To the Shareholders,

Dear Sir or Madam,

**(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES
FOR EVERY TWO (2) SHARES HELD ON THE RECORD DATE;
(II) CONNECTED TRANSACTION IN RELATION TO
THE UNDERWRITING AGREEMENT;
AND
(III) APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver.

The purpose of this circular is to provide you with, among other things, (i) further details of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver; (ii) a letter of recommendation from the Independent Board Committee in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver; (iii) a letter of advice from Halcyon Capital to the Independent Board Committee and the Independent Shareholders in regard to the aforesaid; (iv) other information required under the Listing Rules and the Takeovers Code; and (v) a notice convening the SGM.

LETTER FROM THE BOARD

PROPOSED RIGHTS ISSUE

The Company proposes to implement the Rights Issue on the basis of three (3) Rights Shares for every two (2) Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price of HK\$0.34 per Rights Share, to raise gross proceeds of approximately HK\$71.3 million before expenses by issuing 209,711,740 Rights Shares. The net proceeds from the Rights Issue (after deducting the estimated expenses) are estimated to be approximately HK\$66.5 million. The principal terms of the Rights Issue are set out below:

Rights Issue statistics

Basis of the Rights Issue	:	Three (3) Rights Shares for every two (2) Shares held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.34 per Rights Share
Net price per Rights Share (i.e. Subscription Price less estimated cost and expenses incurred in the Rights Issue on a per Rights Share basis)	:	Approximately HK\$0.316 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	139,807,827 Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	:	209,711,740 Rights Shares (assuming there is no new issue or repurchase of Shares on or before the Record Date)
Gross proceeds from the Rights Issue (before expenses)	:	Approximately HK\$71.3 million (assuming no new issue or repurchase of Shares on or before the Record Date)
Net proceeds from the Rights Issue	:	Approximately HK\$66.5 million (assuming no new issue or repurchase of Shares on or before the Record Date)

As at the Latest Practicable Date, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into the Shares.

Assuming there is no new issue or repurchase of Shares on or before the Record Date, the 209,711,740 Rights Shares proposed to be allotted and issued pursuant to the terms of the Rights Issue represent approximately (i) 150.0% of the total number of existing issued Shares and (ii) 60.0% of the total number of issued Shares as enlarged immediately upon completion of the Rights Issue.

LETTER FROM THE BOARD

The Subscription Price

The Subscription Price of HK\$0.34 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, and, where applicable, when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 2.86% to the closing price of HK\$0.350 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 4.49% to the average closing prices of the Shares as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.356 per Share;
- (iii) a discount of approximately 3.68% to the average closing prices of the Shares as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.353 per Share;
- (iv) a discount of approximately 1.16% to the theoretical ex-rights price of HK\$0.344 per Share based on the closing price of the Shares of HK\$0.350 as quoted on the Stock Exchange on the Last Trading Day;
- (v) a discount of approximately 11.69% to the closing price of HK\$0.385 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (vi) a premium of approximately 0.29% over the net asset value of the Company of approximately HK\$0.339 per Share, which is calculated by dividing the audited consolidated equity attributable to equity holders of the Company of approximately HK\$47.3 million as at 31 March 2021 as shown in the Company's annual report for the year ended 31 March 2021 by 139,807,827 Shares (being the total number of existing issued Shares on the Last Trading Day); and
- (vii) a discount of approximately 8.60% to the net asset value of the Company of approximately HK\$0.372 per Share, which is calculated by dividing the unaudited consolidated equity attributable to equity holders of the Company of approximately HK\$52 million as at 30 September 2021 as shown in the Company's interim report for the Interim Period by 139,807,827 Shares (being the total number of existing issued Shares on the Last Trading Day).

The Rights Issue would result in a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 2.70%, based on the theoretical diluted price of approximately HK\$0.346 per Share and the benchmarked price (as defined under Rule 7.27B of the Listing Rules) of HK\$0.356 per Share.

The Subscription Price was determined by the Company with reference to, among other things, (i) the recent market prices of the Shares under the prevailing market conditions; and (ii) the financial condition and the funding needs of the Group. After taking into account the terms of the Rights Issue and the reasons for the Rights Issue as disclosed in the section headed "Reasons

LETTER FROM THE BOARD

for and benefits of the Rights Issue and the use of proceeds” in this letter, the Directors (other than the members of the Independent Board Committee whose opinion are set forth in the letter from the Independent Board Committee after considering the advice from the Independent Financial Adviser) considers that the terms of the Rights Issue (including the Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Status of the Rights Shares

The Rights Shares (when allotted, fully paid or credited as fully paid and issued) will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the fully paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the fully paid Rights Shares.

Qualifying Shareholders

The Rights Issue is available to the Qualifying Shareholders only. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date and not be a Non-Qualifying Shareholder.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider the said nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company and are advised to consider whether they would like to arrange for the registration of the relevant Share(s) in their own names prior to the close of business on the Record Date.

In order to be registered a member of the Company prior to the close of business on the Record Date, all transfer(s) of the Share(s) (together with the relevant share certificate(s) and/or the instrument(s) of transfer) must be lodged with the Registrar, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration no later than 4:30 p.m. (Hong Kong time) on 6 May 2022.

The Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date.

Closure of register of members

The register of members of the Company will be closed from Friday, 20 May 2022 to Thursday, 26 May 2022 (both days inclusive) for determining the entitlements to the Rights Issue. No transfer of the Shares will be registered during the above book closure period.

Basis of provisional allotments

The basis of the provisional allotments shall be three (3) Rights Shares (in nil-paid form) for every two (2) Shares held by the Qualifying Shareholders as at the close of business on the Record Date.

LETTER FROM THE BOARD

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

Rights of the Overseas Shareholders

The Prospectus Documents to be issued in connection with the Rights Issue will not be registered or filed under the securities law of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

Based on the register of members of the Company as at the Latest Practicable Date, there were six Overseas Shareholders with registered addresses situated in the PRC, Singapore, the BVI and the US. The Company has, in compliance with Rule 13.36(2)(a) of the Listing Rules, made reasonable enquiries of the legal requirements regarding the feasibility of extending the Rights Issue to the Overseas Shareholders. Based on the legal advice provided by the respective legal advisers of the PRC, Singapore, the BVI and the US engaged by the Company as at the Latest Practicable Date and having considered the circumstances, the Directors are of the view that the relevant overseas legal restrictions and requirements of the relevant regulatory body or the Stock Exchange do not make it necessary or expedient to exclude the Overseas Shareholders with registered addresses in the PRC, Singapore and the BVI from the Rights Issue. Accordingly, the Rights Issue will be offered to the Overseas Shareholders in those jurisdictions.

The Directors are of the view that it is necessary and expedient not to extend the Rights Issue to the Overseas Shareholder(s) with registered address(es) in the US due to the time and costs involved in the registration or filing of the Prospectus Documents and/or approval required by the relevant authorities in the US and/or additional steps the Company and/or Overseas Shareholder(s) need(s) to take to comply with the local legal requirements and/or other requirements to be satisfied in order to comply with relevant local legal or regulatory requirements in the US, and such Overseas Shareholder(s) shall be Non-Qualifying Shareholder(s).

The Company will continue to ascertain whether there are any other Overseas Shareholders as at the Record Date and will, if necessary, make further enquiries with legal advisers in other overseas jurisdictions regarding the feasibility of extending the Rights Issue to such Overseas Shareholders as at the Record Date and make relevant disclosure in the Prospectus.

The Company will send the Prospectus to the Non-Qualifying Shareholders for their information only, but will not send any PAL to them. For the avoidance of doubt, the Non-Qualifying Shareholders are entitled to attend and vote in their instructions at the SGM as Independent Shareholders.

The Company reserves the right to treat as invalid any acceptance of or applications for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their own professional advisers.

LETTER FROM THE BOARD

Arrangements for the NQS Rights Shares

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, to be sold in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. If the proceeds from each such sale, less expenses, are more than HK\$100, the excess will be paid on pro-rata basis to the relevant Non-Qualifying Shareholders. The Company will retain individual amounts of HK\$100 or less for its own benefit to cover the administrative costs that it would have incurred. Any unsold entitlements of Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders will be offered for subscription by the Placing Agent to the Placees under the Placing.

Share certificates of the Rights Shares and refund cheques for the Rights Issue

Subject to fulfilment of the conditions to the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be sent on or before Monday, 27 June 2022 to those entitled thereto by ordinary post, at their own risk, to their registered addresses. Each allottee will receive one share certificate for all allotted Rights Shares.

If the Underwriter terminates the Underwriting Agreement or the Underwriting Agreement does not become unconditional, refund cheques will be despatched on or before Monday, 27 June 2022 by ordinary post, at the respective Shareholders' own risk, to their registered addresses.

Fractional entitlements to the Rights Shares

No fractional entitlements to the Rights Shares shall be issued to the Shareholders and no entitlements of the Non-Qualifying Shareholders to the Rights Shares shall be issued to the Non-Qualifying Shareholders. All fractions of the Rights Shares shall be aggregated (rounded down to the nearest share) and, if a premium (net of expenses) can be obtained, shall be sold in the market by the Company for its own benefit.

The Irrevocable Undertaking

Mr. Liu is interested in an aggregate of 38,268,694 Shares (representing approximately 27.4% of the entire issued share capital of the Company as at the Latest Practicable Date), of which 30,118,694 Shares (representing approximately 21.6% of the entire issued share capital of the Company as at the Latest Practicable Date) is held by him and 8,150,000 Shares (representing approximately 5.8% of the entire issued share capital of the Company as at the Latest Practicable Date) is held by Stone Steps, a company wholly and beneficially owned by him.

Pursuant to the Irrevocable Undertaking given by Mr. Liu under the Underwriting Agreement, Mr. Liu has undertaken to the Company that (i) he will subscribe for and/or procure subscriptions for 57,403,041 Rights Shares which comprise the full amount of provisional entitlements in respect of the aggregate of 38,268,694 Shares beneficially held by Mr. Liu and Stone Steps; (ii) he will not and will procure Stone Steps not to dispose of, or agree to dispose of, any of the 30,118,694 Shares and 8,150,000 Shares currently owned by him and Stone Steps,

LETTER FROM THE BOARD

respectively, and such Shares will remain beneficially owned by him and Stone Steps, respectively, up to and including the Record Date; and (iii) he will and will procure Stone Steps lodge or procure the subscription of the 45,178,041 Rights Shares and 12,225,000 Rights Shares, respectively, which will be the number of Rights Shares provisionally allotted (on nil-paid basis) to him and Stone Steps, respectively, under the Rights Issue, with the Registrar.

Application for listing of the Rights Shares

The Company will apply to the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be issued and allotted pursuant to the Rights Issue. Other than on the Stock Exchange, no part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

Subject to the granting of the listing of, and the permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares (in both their nil-paid and fully-paid forms) with the board lot size being the same (i.e. 5,000) as their underlying Shares on the Stock Exchange, or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Dealings in the Rights Shares in both nil-paid and fully-paid forms will be subject to the payment of stamp duty, the Stock Exchange trading fee, SFC transaction levy or any other applicable fees and charges in Hong Kong.

Procedures in respect of the Unsubscribed Rights Shares and the Compensatory Arrangements

Mr. Liu, the Underwriter, is a substantial shareholder of the Company interested directly and indirectly through Stone Steps, a company wholly and beneficially owned by him, in an aggregate of 38,268,694 Shares, (representing approximately 27.4% of the entire issued share capital of the Company as at the Latest Practicable Date). Pursuant to Rule 7.21(2) of the Listing Rules, the Company will make arrangements to dispose of the Unsubscribed Rights Shares by offering the Unsubscribed Rights Shares to independent placees for the benefit of the relevant No Action Shareholders to whom they were offered under the Rights Issue. As the Compensatory Arrangements are in place, there will be no excess application arrangements as stipulated under Rule 7.21(1)(a) of the Listing Rules.

LETTER FROM THE BOARD

The Company appointed the Placing Agent to place the Unsubscribed Rights Shares after the Latest Time for Acceptance to independent placees on a best effort basis, and any premium over the aggregate amount of (i) the Subscription Price for those Rights Shares; and (ii) the expenses of the Placing Agent (including any other related costs and expenses), that is realised from the Placing (the “**Net Gain**”) will be paid to those No Action Shareholders in the manner set out below. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m. on Monday, 20 June 2022, acquirers, who are not Shareholders, for all (or as many as possible) of those Unsubscribed Rights Shares at a price not less than the Subscription Price. Any unsold Unsubscribed Rights Shares under the Compensatory Arrangements will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

The Net Gain (if any and rounded down to the nearest cent) will be paid on a pro-rata basis to the No Action Shareholders), as set out below:

- (i) where the nil-paid rights are, at the time they lapse, represented by a PAL, to the person whose name and address appeared on the PAL; and
- (ii) where the nil-paid rights are, at the time they lapse, registered in the name of HKSCC Nominees Limited, to the beneficial holders (via their respective CCASS participants) as the holder of those nil-paid rights in CCASS.

If the Net Gain to any of the No Action Shareholder(s) mentioned above (i) is more than HK\$100, the entire amount will be paid to them; or (ii) is HK\$100 or less, such amount will be retained by the Company for its own benefit.

THE PLACING AGREEMENT

On 15 March 2022 (after trading hours of the Stock Exchange), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares. Details of the Placing Agreement are as follows:

Date : 15 March 2022 (after trading hours of the Stock Exchange)

Placing agent : I Win Securities was appointed as the placing agent to place, or procure the placing of, a maximum of 152,308,699 Unsubscribed Rights Shares, on a best effort basis, to the Placee(s).

I Win Securities has confirmed that it is independent of and not acting in concert with Mr. Liu and parties acting in concert with him.

LETTER FROM THE BOARD

- Placing commission payable to the Placing Agent : The sum of (i) a fixed fee of HK\$100,000 and (ii) 1% of the gross proceeds from successful placements of Unsubscribed Rights Shares.
- Placing price of the Unsubscribed Rights Shares : The placing price of the Unsubscribed Rights Shares shall not be less than the Subscription Price.
- The final price will be determined based on the demand for and market conditions of the Unsubscribed Rights Shares at the time of placement.
- Placee(s) : The Unsubscribed Rights Shares shall only be offered by the Placing Agent to Placee(s) who and whose ultimate beneficial owner(s) are not Shareholders, are Independent Third Party(ies) and are not acting in concert with Mr. Liu and his concert parties (including Stone Steps) and/or any of the Company's connected persons.
- Ranking of Unsubscribed Rights Shares : The Unsubscribed Rights Shares (when placed, allotted, issued and fully paid) shall rank *pari passu* in all respects among themselves and with the Shares then in issue.
- Placing condition : The Placing is subject to and conditional upon the Listing Division of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in the Unsubscribed Shares by not later than 14 June 2022 (or such later date as may be agreed between the Placing Agent and the Company).
- Completion date of the Placing : The third Business Day following the satisfaction of the placing condition set out in the Placing Agreement (or such other day as the Company and the Placing Agent may agree in writing).

The terms of the Placing Agreement (including the placing commission being the sum of (i) a fixed fee of HK\$100,000 and (ii) 1% of the gross proceeds from successful placements of Unsubscribed Rights Shares) were determined after arm's length negotiation between the Placing Agent and the Company with reference to the size of the Rights Issue and the prevailing market rate of commission and are on normal commercial terms. The Directors consider that the terms of the Placing Agreement are fair and reasonable.

LETTER FROM THE BOARD

Given that the Compensatory Arrangements would provide a compensatory mechanism for the No Action Shareholders, the Directors consider that the Compensatory Arrangements are in the interests of the Shareholders.

THE UNDERWRITING AGREEMENT

The Rights Shares (other than those agreed to be taken up by Mr. Liu and Stone Steps pursuant to the Irrevocable Undertaking) will be fully underwritten by Mr. Liu at the Subscription Price in accordance with the terms of the Underwriting Agreement. The principal terms and conditions of the Underwriting Agreement are set out below:

Date	:	15 March 2022 (after trading hours of the Stock Exchange)
Underwriter	:	Mr. Liu, who is a substantial shareholder of the Company as at the Latest Practicable Date. It is not in the ordinary course of business of Mr. Liu to underwrite securities.
Maximum number of Rights Shares to be underwritten by the Underwriter	:	152,308,699 Rights Shares (assuming no new Shares will be issued or repurchased on or before the Record Date)
Underwriting Commission	:	Approximately HK\$518,000, being 1% of the aggregate subscription amount in respect of the maximum number of Underwritten Shares (i.e. 152,308,699 Rights Shares) committed to be underwritten, subscribed for or procured subscription for by the Underwriter.

LETTER FROM THE BOARD

Subject to the fulfilment of the conditions contained in the Underwriting Agreement and provided that the Underwriting Agreement is not terminated prior to the Latest Time for Termination in accordance with the terms of the Underwriting Agreement, Mr. Liu has agreed to subscribe for the Untaken Rights Shares (being any Unsubscribed Rights Shares that are not placed by the Placing Agent under the Placing Agreement) at the Subscription Price.

The terms of the Underwriting Agreement were determined after arm's length negotiations between the Company and Mr. Liu with reference to the financial position of the Group, the size of the Rights Issue, the current and expected market conditions, taking into consideration the prevailing market rates of underwriting commission in rights issue exercises undertaken by Hong Kong listed issuers in the past six months. In cases where the underwriter was a substantial/controlling shareholder, the Company noted that it appears to be a common practice that no underwriting commission would be charged. However, the Company considers that the rate of underwriting commission shall be a commercial decision based on the circumstances of each case including a listed issuer's historical financial performance and future prospects, trading liquidity and risks associated with the underwriting, etc. In determining the underwriting commission under the Underwriting Agreement, the Company and Mr. Liu have taken into account the above factors and the intention of Mr. Liu to facilitate the Company's fundraising efforts for its business development and concluded that a rate of 1% is appropriate. In addition to Mr. Liu, the Company also approached two other securities firms in respect of underwriting the Rights Issue, of which one declined the role for reason of the Financial Resources Rule requirements; and the other declined due to its concern on its ability to sell the underwritten Shares to its clients. The Directors (excluding members of the Independent Board Committee whose opinion will be set forth in the Letter from the Independent Board Committee after reviewing and considering the advice from Halcyon Capital) are of the view that the terms of the Underwriting Agreement are fair and reasonable, and the transactions contemplated under the Underwriting Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Conditions of the Rights Issue

The obligations of the Underwriter under the Underwriting Agreement are conditional on the fulfilment of the following conditions:

- (i) the passing by the Independent Shareholders at the SGM of (1) an ordinary resolution to approve the Underwriting Agreement, the Placing Agreement, the Rights Issue and the transactions contemplated thereunder (more than 50% of the Independent Shareholders at the SGM by way of poll); and (2) a special resolution to approve the Whitewash Waiver (at least 75% of the Independent Shareholders at the SGM by way of poll) in accordance with the Listing Rules and the Takeovers Code by no later than the Prospectus Posting Date;
- (ii) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, the Rights Shares by no later than the first day of their dealings;

LETTER FROM THE BOARD

- (iii) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong, not later than the Prospectus Posting Date;
- (iv) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Non-Qualifying Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- (v) the Executive granting the Whitewash Waiver to the Underwriter and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted;
- (vi) the obligations of the Underwriter becoming unconditional and that the Underwriting Agreement is not terminated in accordance with its terms; and
- (vii) the compliance with and performance of all the undertakings and obligations of the Underwriter under the Irrevocable Undertaking.

None of the above conditions precedent is capable of being waived.

If any of the conditions precedent are not satisfied by the Latest Time for Termination, the Underwriting Agreement shall terminate and no party will have any claim against any other party (save for any antecedent breaches and claims thereof).

Termination of the Underwriting Agreement

The Underwriter shall be entitled by a notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement if, prior to the Latest Time for Termination:

1. in the reasonable opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may materially and adversely affect the business or the financial or trading position or prospects of the Company as a whole or is materially adverse in the context of the Rights Issue; or

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- (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date thereof) of a political, military, financial, economic or other nature (whether or not *ejusdem generis* with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may materially and adversely affect the business or the financial or trading position or prospects of the Company as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- 2. any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- 3. there is any change in the circumstances of the Company which in the reasonable opinion of the Underwriter will materially and adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or the destruction of any material asset of the Company; or
- 4. any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which in the reasonable opinion of the Underwriter will materially and adversely affect the success of the Rights Issue and/or the prospects of the Company taken as a whole; or
- 5. any other material adverse change in relation to the business or the financial or trading position or prospects of the Company as a whole whether or not *ejusdem generis* with any of the foregoing; or
- 6. any matter which, had it arisen or been discovered immediately before the date of the Prospectus Documents and not having been disclosed in the Prospectus Documents, would have constituted, in the reasonable opinion of the Underwriter, an omission which is material in the context of the Rights Issue; or
- 7. any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements in connection with the Rights Issue.

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If prior to the Latest Time for Termination any such notice as is referred to above is given by the Underwriter, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine.

If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed. A further announcement will be made by the Company if the Underwriter terminates the Underwriting Agreement.

FUND RAISING EXERCISE OF THE COMPANY

The Company has conducted the following fundraising activity involving issue of equity securities from the 12 months immediately preceding the date of the Announcement and up to the Latest Practicable Date :

Date of announcement	Event	Net proceeds raised	Intended use of net proceeds	Actual use of net proceeds as at the date of the Announcement
17 March 2021	Placing of new Shares under general mandate	Approximately HK\$28.4 million	(i) general working capital of the Group; and/or (ii) development or enhancement of the Group's existing businesses or any other possible investments in the future, when such opportunities arise	(i) approximately HK\$19.4 million in respect of working capital and general corporate purposes; and (ii) approximately HK\$9.0 million in respect of development or enhancement of the Group's existing business, namely the gold processing and trading business

Save as disclosed above, the Company has not conducted other fundraising activity involving issue of equity securities from the 12 months immediately preceding the date of the Announcement and up to the Latest Practicable Date.

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REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS

Background of the Company

The Group is principally engaged in gold processing and trading business, outsourced business process management business and money lending services. The Group's outsourced business process management business, which involves the operation of gambling equipment at casinos in Macau, has experienced a downturn due to the COVID-19 pandemic. Its revenue declined by more than 50% from approximately HK\$84.4 million for the year ended 31 March 2020 to approximately HK\$33.6 million for the year ended 31 March 2021. The money lending services business, on the other hand, has remained stable and recorded revenue of approximately HK\$6.5 million for the year ended 31 March 2021, representing a growth of about 30% as compared with that for the year ended 31 March 2020. The Group's gold processing and trading business, amid the challenging business environment brought by the COVID-19 Pandemic, has been able to achieve satisfactory growth and recorded revenue of approximately HK\$135.1 million and HK\$85.5 million for the year ended 31 March 2021 and the Interim Period respectively.

As set out in the Company's announcement dated 6 April 2022, the gold 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 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. During the five months ended 28 February 2022, the gold processing and trading business continued to be the Group's most profitable business.

The abovementioned announcement dated 6 April 2022 also disclosed that the Group is expected to record an unaudited net profit of approximately HK\$1.1 million for the 11 months ended 28 February 2022, which constitutes a profit forecast under Rule 10 of the Takeovers Code. The financial adviser and the reporting accountants of the Company have reported on the Profit Estimate, the letters of which are set out in Appendices IV and V, respectively, to this circular.

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Business model of the existing gold processing and trading business

The Group's existing gold processing and trading business involves the processing of gold-laden carbon, a side product in the gold smelting process, which typically contains over 99% activated carbon and less than 1% of gold and other precious metals such as silver, and sales of gold and other precious metals generated thereof. The existing processing plant is located in Yunnan Province of the PRC, with an annual processing capacity of 990 tonnes of gold-laden carbon (the “**Existing Plant**”). The Group purchases gold-laden carbon from its suppliers and processes the gold-laden carbon by way of a series of mechanical and chemical reactions and steps to extract gold and other precious metals, and turns the extracted gold into bullion (i.e. non-standard gold) which is highly marketable among the gold industry. The Group recognizes revenue upon sale of the extracted gold (i.e. bullion) and other precious metals (e.g. silver) to its customers according to the price quoted on the Shanghai Gold Exchange.

The key customers of the existing gold processing and trading business of the Group is (i) 雲南滇金投資有限公司 (“**Yunnan Dianjin**”), a subsidiary of 雲南黃金礦業集團股份有限公司 (a PRC state-owned enterprise) which is principally engaged in precious metal processing and trading; and (ii) 洛陽幣旺商貿有限公司 (“**Luoyang Biwang**”), which is principally engaged in sales of gold, silver, copper and other mineral products. These customers are business acquaintances of Mr. Ding Lei, an executive Director, with whom he became acquainted at events and/or conferences of the gold mining industry in China.

The Company has entered into legally-binding framework sale and purchase agreements with its customers to set out the terms for the Group to sell the bullion to the customers. The current agreement with Yunnan Dianjin is for a term of 10 months commencing from 28 February 2022 up to 31 December 2022, whereas the current agreement with Luoyang Biwang is for a term of one year commencing from 1 January 2022 up to 31 December 2022. Yunnan Dianjin and Luoyang Biwang undertook to purchase not less than 300 kg and 500 kg per year, respectively, of bullion produced by the Group within the contracted period. The customers would pay for the bullion based on the market price of gold quoted on Shanghai Gold Exchange multiplying a rate of 99.9%, 99.95% or 100% according to the fineness of the bullion as examined by the recognised laboratories. Apart from the pricing basis and committed quantity of bullion to purchase, the aforesaid agreements also set out the terms in respect of fineness assessment, consideration payment schedule, good delivery schedule, confidentiality and dispute resolution.

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The key supplier of the existing gold processing and trading business is 墨江縣礦業有限責任公司 (“**Mojiang Mining**”) a company wholly and beneficially owned by Bay Area Gold Group located in Yunnan Province, the PRC and principally engaged in mining and processing of gold ores and sale of gold products. The Company was introduced to Mojiang Mining by Mr. Ding Lei through his former work relationships with Bay Area Gold Group (including being the assistant general manager of the mining business department of Bay Area Gold Group, a senior management/director/supervisor of certain subsidiaries of Bay Area Gold Group, namely Jinxing Mining, Luanchuan Luanling Gold Mines Co., Ltd.* (樂川縣樂靈金礦有限公司), Chifeng Yongfeng Mining Co., Ltd.* (赤峰永豐礦業有限責任公司), Shenzhen Munsun Asset Management Company Limited* (深圳市麥盛資產管理有限公司) and Shenzhen Baosheng Mining Industrial Co., Ltd.* (深圳保勝礦業控股有限責任公司), further details of which are disclosed in the Company’s annual report for the year ended 31 March 2021). At the relevant time, Mr. Ding Lei was aware that Bay Area Gold Group had two mines in Yunnan Province, the PRC, and the efficiency of their processing plants had been diminishing as a result of technical obsolescence. He understood that Bay Area Gold Group had been hesitant about upgrading or replacing the processing facilities in view of the time and cost that might involve. Mr. Ding Lei believed that given his extensive experience in gold mining operation, with the appropriate assistance on the technical front, the Group could establish a processing plant with efficiency higher than Bay Area Gold Group’s existing processing plants.

The Company entered into a legally-binding framework sale and purchase agreement with Mojiang Mining (the “**Mojiang Agreement**”) on 17 August 2020 to set out the terms for sale of gold-laden carbon to the Company. According to the Mojiang Agreement, Mojiang Mining undertook to supply not less than 1,000 tonnes of gold-laden carbon to the Company per year for three years commencing from the date of agreement. The Company would pay for the gold-laden carbon based on the market price of gold quoted in Shanghai Gold Exchange multiplying by the appropriate recovery rate specified in the Mojiang Agreement based on the ore grade of the gold-laden carbon as examined by the recognised laboratories. The Mojiang Agreement also sets out the terms in respect of ore grade examination, consideration payment schedule, good delivery schedule, confidentiality and dispute resolution.

The New Plant and the Framework Agreement

The Directors believe that the outsourced business process management business will continue to operate under tremendous pressure because the number of visitors to Macau casinos is not able to return to pre-COVID-19 Pandemic level as long as various social distancing measures and travel restrictions in Macau, Hong Kong and China remain in place. Given the recent outbreak of the fifth wave involving new variants of the concerned virus, uplift of the aforesaid measures may not be forthcoming in the near term. The Directors, in the circumstances, have been trying to identify business opportunities to support the growth of the Group’s other businesses. Having considered that the gold processing and trading business performed satisfactorily in the last two years and the Directors expect that both the demand for and price of gold will persist, the Group wishes to expand the gold processing and trading business. In this respect, the Group entered into the Framework Agreement, which is legally-binding, with Jinxing Mining, a company wholly and beneficially owned by Bay Area Gold Group, on 15 March 2022 in respect of the establishment of a new processing plant (the “**New Plant**”) with designed annual processing capacity of 600,000 tonnes in Luanchuan County, Henan Province of the PRC. Henan Province is one of the top 10 provinces in China with the most measured gold resources. Luanchuan County is situated at the

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polymetallic metallogenic belt of Western Henan, which is one of the 16 important polymetallic metallogenic belts in China rich in resources including molybdenum, copper, zinc, gold, silver and iron etc.

The Framework Agreement

The principal terms of the Framework Agreement are set out below:

- Date : 15 March 2022
- Parties : Henan Xingluan, a wholly and beneficially owned subsidiary of the Company, and Jinxing Mining (collectively, the “Parties”).
- Conditions : The Framework Agreement is, among others, conditional upon the satisfaction or waiver, as the case may be, of the following conditions:
- (i) The Parties having obtained a legal opinion on the legality of the cooperation and transactions contemplated under the Framework Agreement pursuant to the applicable laws and regulations of the PRC;
 - (ii) The representations and warranties made by Jinxing Mining under this agreement are true, accurate and complete in all respects and not misleading and there is no omission;
 - (iii) Jinxing Mining has and continues to have all the necessary licenses or qualifications required under the applicable laws and regulations of the PRC for the establishment of the New Plant, and there is no fact or circumstance known to Jinxing Mining which would result in such licenses or qualifications being revoked, terminated, altered or expired without renewal. There is no situation where Jinxing Mining has been fined or disciplined by the relevant government authorities for failing to obtain the necessary licenses or qualifications;

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- (iv) Jinxing Mining is legally established and validly existing in accordance with the laws and regulations of its place of registration. Jinxing Mining's registered capital has been paid in full and on time in accordance with the provisions of its articles of association, and there is no failure to pay, delayed payment, false registration or withdrawal of registered capital. The business scope stated in Jinxing Mining's articles of association is in compliance with the requirements of Chinese laws, and Jinxing Mining conducts business activities in accordance with the business scope stipulated in its articles of association and applicable laws in material aspects. All articles of association of Jinxing Mining have been legally and validly registered (if required), and are valid and enforceable;
- (v) Jinxing Mining has performed and complied with all commitments, obligations and agreements that it should perform and abide by in accordance with the Framework Agreement;
- (vi) The cooperation under the Framework Agreement is not restricted or otherwise prohibited by any government agency. Jinxing Mining has obtained all necessary consent and authorisation for the establishment of the New Plant, and has obtained the necessary licenses, approvals and made the necessary filings with the relevant government authorities, and such authorisation, approval or consent continues to have full effect;
- (vii) Henan Xingluan having completed the fundraising plan and raises sufficient funds to proceed with the establishment of the New Plant; and
- (viii) Henan Xingluan having completed and is satisfied with the legal, financial, tax and commercial due diligence in respect of establishment of the New Plant, which shall not be materially different to the information provided by Jinxing Mining.

Long stop date : Save and except (iii), (iv) and (vi), Henan Xingluan may waive the above conditions. If the conditions are not completed or waived on or before 30 September 2022, or such other date as agreed by the Parties, the Framework Agreement and all the rights and obligations of the Parties thereunder will cease and determine.

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Major rights and obligations : *Henan Xingluan*

- (i) It will be responsible for the construction and operation of the New Plant involving, among other things, acquiring all necessary materials, plant and machinery and other fixed assets, employing staff and workers and handling all matters in the daily operation;
- (ii) It will purchase gold ore from Jinxing Mining in priority on the same terms and conditions as those offered by third parties, and only when the supply from Jinxing Mining falls short of its requirement, it may purchase from other suppliers; and
- (iii) The New Plant will be wholly owned by Henan Xingluan, who will be responsible for sales of the gold products produced by the New Plant; and all proceeds of such sales will be recognized as its revenue.

Jinxing Mining

- (i) It will be responsible for making the necessary applications and obtaining regulatory approvals from the relevant PRC government authorities in respect of the establishment and operation of the New Plant, handling the demolition and resettlement works relating to the construction site and construction of the tailings dam and ancillary facilities, and it will be reimbursed by the Group for the amount actually incurred by it in carrying out the abovementioned tasks. The Group does not intend to make any loans or prepayments to Jinxing Mining. When the New Plant commences operations, Jinxing Mining will supply ores in priority to the New Plant;
- (ii) It authorises Henan Xingluan to use such licenses and qualifications for the operation of the New Plant; and that there are no facts or circumstances which would cause such licenses or qualifications to be revoked, terminated, altered or expired without renewal;
- (iii) It will supply gold ore to Henan Xingluan in priority on the same terms and conditions as those to be offered by third parties;

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- (iv) It guarantees that during the cooperation with Henan Xingluan contemplated under the Framework Agreement, it will maintain all the rights, qualifications and administrative permits required to establish the New Plant, and all these necessary licenses and qualifications required under applicable laws and regulations remain valid; and
- (v) In the event that the mining license held by Jinxing Mining becomes invalid for any reason, Jinxing Mining warrants that it will make the necessary application(s) to the relevant authority(ies) within 30 days to rectify the situation and obtain a valid mining license within 90 days.

If Jinxing Mining loses or fails to apply for a new mining license, it shall constitute as a breach of contract on the part of Jinxing Mining under the Framework Agreement and Henan Xingluan has the right to terminate the Framework Agreement and Jinxing Mining shall be held responsible for all the loss and damaged suffered by Henan Xingluan arising from such breach. In the event that the Framework Agreement is terminated, the Group will need to source gold ore from other mines or suppliers, which, based on the understanding of the Group, are available in the areas near the New Plant.

Pricing Policy : The pricing of the gold ore purchased by Henan Xingluan from Jinxing Mining will be in accordance with the prevailing market price for such gold ore.

Rationale for the Framework Agreement

For the purpose of establishing the New Plant, it is necessary for the Group to cooperate with a party which possesses the required qualifications to apply for construction of a new processing plant. According to the notice published by the State Bureau of Mine Safety Supervision on 10 September 2021 (the “**Notice**”), (i) construction of new independent processing plant or tailings dam are not permissible; and (ii) any construction of processing plants without a legal ore supply will be eliminated. The Notice, in essence, follows the policy direction of “integration of mining and processing” (採選一體化) which requires that any construction of new processing plant shall be considered together with and supported by appropriate tailings dam and ore supply. For these reasons, the Group has decided to enter into the Framework Agreement with Jinxing Mining which holds the mining license of the Jinxing Mine and is qualified to apply for construction of new tailings dam and processing plant and able to provide a legal and stable ore supply.

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The Framework Agreement represents a cooperation arrangement between the Group and Jinxing Mining with their respective commercial interests in mind. For the avoidance of doubt, it does not involve formation of a joint venture. From the perspective of Henan Xingluan, the Framework Agreement enables the Group to expand its gold processing business with the New Plant and provides the New Plant with a secured source of ore supply from Jinxing Mining. From the perspective of Jinxing Mining, instead of financing and constructing a new processing plant on its own to replace its existing obsolete one, the Framework Agreement provides that Jinxing Mining will utilise its qualifications to apply for the establishment of the New Plant, which in return offers Jinxing Mining a secured sales of gold ore to Henan Xingluan. In view of the above, the Directors consider that the entering into of the Framework Agreement is mutually beneficial to the Group and Jinxing Mining and also in the interests of the Company and the Shareholders.

Business model of the New Plant

Henan Xingluan will purchase gold ore from Jinxing Mining in priority on the same terms and conditions as those offered by third parties and, only when the supply from Jinxing Mining falls short of its requirement, from other suppliers and process the gold ore by way of a series of crushing and grinding, gravity separation/flotation, leaching and sieving, and turn it into gold powder. The Group will sell the gold powder to gold smelters and recognize revenue upon such sale.

The business models of the New Plant and the Existing Plant are largely the same. Both plants process the materials that the Group purchases externally through a series of mechanical and chemical reactions and steps into gold products for sales. The Existing Plant processes gold-laden carbon into bullion; whereas the New Plant processes gold ore into gold powder. The properties of ores in Yunan Province and ores in Henan Province call for different handling and processing. As the ores in Yunan Province are relatively low grade, it would be mixed with activated carbon before the gold extraction process to enhance efficiency. The ores in Henan Province, on the other hand, are higher in grade and therefore suitable to go to processing directly. The gold products produced by both plants are for sale to smelters or refineries.

Suppliers

Pursuant to the Framework Agreement, Henan Xingluan will purchase gold ore from Jinxing Mining and the Bay Area Gold Group in priority and, only when the supply from Jinxing Mining and the Bay Area Gold Group falls short of its requirement, it will purchase from other suppliers.

The Company noted from the announcements of Bay Area Gold Group in 2021 and 2022 that Bay Area Gold Group and certain of its subsidiaries, including Jinxing Mining, are involved in various legal and arbitration proceedings and winding-up petitions in the PRC and Hong Kong (the “**Proceedings**”), as the case may be. Some of the Proceedings (including the proceedings between Jinxing Mining and Great Wall Guoxing Financial Leasing Co., Ltd. (the “**Applicant**”)) are still on-going. Based on the information currently available to the Group, the mining license of Jinxing Mining has been charged to the Applicant, and a seizure order was imposed thereon by the Urumqi

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Court (the “**Seizure Order**”) under an application made by the Applicant due to Jinxing Mining’s failure to perform its repayment obligation (which is an event of default) under the relevant finance leasing agreement. As advised by the PRC legal advisers to the Company, the Seizure Order is a property preservation measure which restricts Jinxing Mining from selling the mining license or using the mining license as a security to provide guarantee to any parties, but does not amount to an enforcement of security. The Applicant would not possess the mining license as a result of the Seizure Order while the mining license remains to be owned by Jinxing Mining notwithstanding the existence of the Seizure Order. According to the public information retrieved by the PRC legal advisers, the court has not yet taken enforcement measures against the mining license of Jinxing Mining. As further advised by the PRC legal advisers, based on the public information currently available, Jinxing Mining is not subject to any winding-up or liquidation proceedings (including bankruptcy revival (破產重整) or bankruptcy liquidation (破產清算)). The PRC legal advisers are of the view that pending legal documentation to recognise its identity as a creditor of Jinxing Mining, the Applicant is not eligible to wind up Jinxing Mining for the time being. The PRC legal advisers are also of the view that, at present, the mainland courts remain cautious towards corporate bankruptcy, and it is difficult for the court to determine that the enterprise meets the bankruptcy conditions stipulated by law only by a single lawsuit. Even if the relevant creditor obtains a favorable judgment, the possibility for Jinxing Mining being declared bankrupt is minimal. In addition, based on the information available to the Company, the Seizure Order poses no impact on the operation of the Jinxing Mine and Jinxing Mining had total assets in excess of total liabilities as at 31 December 2021. In view of the above, the Directors believe that the insolvency risk of Jinxing Mining is not high.

The Company has sought advice from its PRC legal advisers regarding the impact of the Proceedings on the Framework Agreement and the cooperation contemplated thereunder. The PRC legal advisers are of the view that, taking into account the Proceedings, Jinxing Mining (i) remains a legally established and validly existing limited liability company in the PRC; (ii) continues to comply with the requirements of relevant local and national laws, regulations and normative documents; and (iii) holds the necessary qualifications and licenses to engage in the mining of mineral resources and the mining license held by Jinxing Mining is legal and valid; and Jinxing Mining’s application to the relevant PRC government for the approvals in respect of the establishment and operation of the New Plant will not be affected. Although Jinxing Mining is a subsidiary of Bay Area Gold Group, Jinxing Mining is a separate legal entity and its operation, ownership of assets and ability to perform its obligations under the existing contracts would not be affected by the liquidation (if any) of its holding companies. In view of the above, the Company considers that the Proceedings do not have a significant adverse impact on the Framework Agreement and the Company’s cooperation with Jinxing Mining contemplated thereunder. If Jinxing Mining loses its mining rights as a result of enforcement actions taken by the Applicant or otherwise prior to the obtaining of all approvals for the establishment of the New Plant, the condition precedent (iv) under the Framework Agreement, which requires the obtaining of all necessary consent and authorisation for the establishment of the New Plant by Jinxing Mining, would not be fulfilled and the Framework Agreement would lapse. In such event, the maximum loss to be suffered by the Group would be approximately RMB2.7 million, representing the costs relating to environmental assessment and safety and approvals from the relevant authorities, preliminary design and feasibility review of the New Plant.

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If Jinxing Mining loses the mining right subsequent to the obtaining of all necessary approvals for the establishment of the New Plant, the PRC legal advisers is of the view that the cooperation under the Framework Agreement and the operation of the New Plant would not be affected provided that the operation and the management of the New Plant is compliant with all applicable laws, regulations, normative documents, policies and requirements at that time, and the New Plant is able to source gold ore for its production from other legal source.

As disclosed in the annual report of Bay Area Gold Group for the year ended 31 December 2020, it is principally engaged in mining and processing of gold ores and sale of gold products in the PRC, and provision of financial services business in Hong Kong and the PRC, including asset management, securities brokerage, financing and advisory services. It currently owns five operating gold mines located in the central, western and northern regions of the PRC, namely Jinxing Mine and Luanling Mine in Henan Province, Mojiang Mine and Hengyi Mine in Yunnan Province, and Yongfeng Mine in Inner Mongolia, with total gold resources of approximately 7.1 million ounces. Mr. Liu is interested in approximately 28.11% of the total issued shares of Bay Area Gold Group as at the date of this circular. Save as disclosed in this circular, Bay Area Gold Group does not have any other relationship with the Company and its connected persons (including Mr. Ding Lei). Save for the Framework Agreement and the Mojiang Agreement, there is no other agreement entered into between the Group and Bay Area Gold Group. Save for Mr. Liu who is interested in approximately 28.11% of the shareholding of Bay Area Gold Group, as at the date of this circular, none of Bay Area Gold Group or its substantial and/or controlling shareholders as set out in its interim report for the six months ended 30 June 2021 is a Shareholder.

Jinxing Mining, a company wholly and beneficially owned by Bay Area Gold Group, owns and operates the Jinxing Mine, the current mining license of which is valid from 4 December 2020 to 4 January 2023. As set out in the annual report for the year ended 31 December 2020 of Bay Area Gold Group, Jinxing Mine is the largest mine of Bay Area Gold Group in terms of total gold resources and 2019 production. Jinxing Mine is located in Luanchuan County, Henan Province. It is an underground mine with gold resources of 74.4 tonnes (2,391 Koz) with an average grade of 4.6g/t (under the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) or its equivalent). Save as disclosed in this circular, Jinxing Mining does not have any other relationship with the Company and its connected persons. As at the date of this circular, Jinxing Mining is not a Shareholder.

Potential customers

As at the date of this circular, the Group has not entered into any agreement in relation the sale of the gold products to be produced by the New Plant. The Company intends to approach some entities engaged in smelting and processing of precious metals when the construction of the New Plant reaches an advance stage with a view to entering into long term contracts with them.

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The expected timeline for the construction and development of the New Plant

The construction and development of the New Plant will involve, among others, the following works:

- (i) Preparation work and approvals from relevant authorities:
 - (a) Obtaining of environmental assessment and approval from the relevant authorities were completed on 12 April 2022. The aggregate expense required is expected to be approximately RMB0.3 million;
 - (b) Preliminary design and review of the New Plant is expected to commence in late-April 2022 and completed by June 2022. The aggregate expense required is expected to be approximately RMB2.3 million; and
 - (c) Preliminary safety assessment, safety infrastructure design and filing with the relevant authorities are expected to be undertaken in July and August 2022. The aggregate expense required is expected to be approximately RMB0.1 million.

- (ii) Machinery, equipment and infrastructure:
 - (a) Tender process in respect of the machinery and equipment for the New Plant is expected to be undertaken between September and November 2022; followed by the purchase, manufacture and delivery of the machinery and equipment between December 2022 and March 2023. The aggregate capital required is expected to be approximately RMB38.7 million;
 - (b) Packaging, transportation and installation of the machinery and equipment is expected to be undertaken between October 2022 and March 2023. The aggregate capital required is expected to be approximately RMB2.3 million;
 - (c) Tailings, drainage and electrical infrastructures are expected to be installed from September 2022 to August 2023. The aggregate capital required is expected to be approximately RMB13.6 million; and
 - (d) The aggregate amount of retention money for the above works is expected to be approximately RMB2.9 million, which will be payable on or around the first anniversary of completion of the relevant works.

- (iii) Construction:
 - (a) Construction work of the New Plant is expected to commence from September 2022 and continue up until January 2023. The aggregate capital required is expected to be approximately RMB13.4 million;

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- (b) Construction of the tailings dam for the New Plant is expected to be undertaken from September 2022 until August 2023. The aggregate capital required is expected to be approximately RMB27.7 million;
- (c) Other ancillary construction work is expected to be performed between October 2022 to July 2023. The aggregate capital required is expected to be approximately RMB10.4 million;
- (d) The Company has budgeted approximately RMB7.3 million as buffer for unforeseen or miscellaneous expenses that may arise in connection with the construction of the New Plant; and
- (e) The aggregate amount of retention money for the above works is expected to be approximately RMB14.3 million, of which 50% will be payable upon completion of the relevant works and the remaining 50% will be payable on or around the first anniversary of completion of the relevant works.

The construction of the New Plant is expected to be completed by September 2023. The Company will engage a number of contractors to undertake the above construction work as and when appropriate. As at the date of the announcement, the Company has not entered into agreement with any contractors.

The Company will comply with the relevant requirements under the Listing Rules in respect of the acquisitions of machinery and equipment for and the construction of the New Plant as and when appropriate.

The Company's plan to finance the construction of the New Plant

The total capital outlay in respect of the New Plant is expected to be approximately RMB133.3 million (equivalent to approximately HK\$162.6 million). Based on the Company's budget for the New Plant, it intends to satisfy the aforesaid amount as follows:

- (a) approximately RMB28.1 million (equivalent to approximately HK\$34.3 million), representing acquisition and installation costs of certain plant, machinery and equipment relating to the processing facilities, will be acquired by finance lease arrangements;
- (b) approximately RMB18.2 million (equivalent to approximately HK\$22.2 million), representing acquisition and installation costs of certain equipment and machinery relating to the tailings dam, will be financed by bank loans;
- (c) approximately RMB17.2 million (equivalent to approximately HK\$21.0 million), representing the retention money in connection with certain machinery, equipment and construction work payable only upon or after commencement of operations of the New Plant, will be funded by cash flow to be generated by the New Plant; and

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- (d) approximately RMB69.8 million (equivalent to approximately HK\$85.1 million), primarily representing the costs of preparation work and construction work, will be financed as to RMB54.5 million (equivalent to approximately HK\$66.5 million) by the net proceeds from the Rights Issue and as to RMB15.3 million (equivalent to approximately HK\$18.6 million) by internal resources of the Group.

As at the Latest Practicable Date, the Group has not entered into any agreement in relation to the bank loans to be obtained for financing certain equipment and machinery relating to the tailings dam as mentioned above. However, the Group has approached Bank of China (Luanchuan Branch) which gave a positive indication to the Group's intention to obtain project financing for the construction of the New Plant. In view of the abovementioned, the scale and size of the New Plant and the amount of capital that will have been put into by the Group in the New Plant prior to the acquisition and installation of the equipment and machinery relating to the tailings dam, the Group is confident to obtain bank loans of no less than RMB18.2 million.

The Board considers that the Rights Issue is the most suitable channel for the Company to raise funds to expand its existing business operations and provide sufficient capital to the Group for its business development as the Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Company.

In view of the above, the Board considers that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, the Company does not have any plan to conduct further rights issue or other equity fund raising activities to meet its funding needs in the next twelve months from the date of this circular.

INFORMATION ON THE UNDERWRITER

The Rights Issue will be underwritten by Mr. Liu, a substantial shareholder of the Company. In the event that Mr. Liu becomes the Controlling Shareholder of the Company as a result of taking up the Unsubscribed Shares under the Underwriting Agreement, it is the intention of Mr. Liu to continue the existing businesses of the Group and nominate himself as an executive Director. His appointment will be subject to approval of the Board and will not take effect earlier than the date of completion of the Rights Issue. Mr. Liu has no intention to introduce any major changes to the businesses of the Group (including any redeployment of the fixed assets of the Group) or terminate the continued employment of the employees of the Group.

Mr. Liu, aged 51, obtained a master's degree in Science from the University of South Florida in May 2001 and a bachelor's degree in International Accounting from Jiangxi University of Finance and Economics in July 1994. He has previously served as the Deputy General Manager of the Investment Banking Department of Ping An Bank Co., Ltd. (listed on the Shenzhen Stock Exchange with stock code: 000001) from August 2008 to April 2012. Mr. Liu also served as the General Manager and Deputy General Manager of the Investment Banking Department of the Shenzhen branch of the Industrial and Commercial Bank of China Limited (listed on the Stock Exchange with stock code: 1398 and the Shanghai Stock Exchange with stock code: 601398) from December 2004 to August 2008 and from December 2003 to December 2004, respectively.

LETTER FROM THE BOARD

Mr. Liu has relevant experience in various senior management roles, as set out above, but does not have specific relevant experience in the business segments operated by the Group.

The daily operation of the Group, including the gold processing and trading and the outsourced business process management businesses, are managed by Mr. Ding Lei, who has expressed to the Group that he will remain in office in the event that Mr. Liu becomes the Controlling Shareholder of the Company and continue to manage the daily operation of the Group. As mentioned above, Mr. Liu has no intention to introduce any major changes to the businesses of the Group (including any redeployment of the fixed assets of the Group) or terminate the continued employment of employees of the Group. The Company considers that there will not be any direct impact on the daily management of the Group's operation, including its businesses, due to Mr. Liu becoming the Controlling Shareholder of the Company.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) following completion of the Rights Issue in different scenarios, in each case assuming no new issue or repurchase of Shares up to completion of the Rights Issue save for the Rights Shares. The scenarios assume:

- (a) full acceptance of the Rights shares by all Qualifying Shareholders;
- (b) nil acceptance of the Rights Shares by the Qualifying Shareholders (other than Mr. Liu and Stone Steps pursuant to the Irrevocable Undertaking) and 100% of the Unsubscribed Rights Shares are fully placed to the Placees under the Compensatory Arrangements; and
- (c) nil acceptance of the Rights Shares by the Qualifying Shareholders (other than Mr. Liu and Stone Steps pursuant to the Irrevocable Undertaking) and 100% of the Untaken Rights Shares are taken up by the Underwriter.

	(i) As at the Latest Practicable Date		(ii) Immediately following completion of the Rights Issue, and assuming scenario:					
	No. of Shares	%	(a)		(b)		(c)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Mr. Liu	30,118,694	21.6%	75,296,735	21.6%	75,296,735	21.6%	227,605,434	65.1%
Stone Steps (Note 1)	8,150,000	5.8%	20,375,000	5.8%	20,375,000	5.8%	20,375,000	5.8%
Mr. Liu and parties acting in concert or presumed acting in concert with him	38,268,694	27.4%	95,671,735	27.4%	95,671,735	27.4%	247,980,434	70.9%
The Placees	-	-	-	-	152,308,699	43.6%	-	-
Other public Shareholders	101,539,133	72.6%	253,847,832	72.6%	101,539,133	29.0%	101,539,133	29.1%
Total	139,807,827	100.0%	349,519,567	100.0%	349,519,567	100.0%	349,519,567	100.0%

Notes:

1. Stone Steps is wholly and beneficially owned by Mr. Liu who is a substantial shareholder of the Company.
2. Certain figures and percentage included in the above tables have been subjected to rounding.

LETTER FROM THE BOARD

The Rights Issue, if proceeded with, will increase the issued share capital of the Company by more than 50%. In accordance with Rule 7.19A and Rule 7.27A of the Listing Rules, the Rights Issue is conditional on approval by the Independent Shareholders (comprising both the Qualifying Shareholders and the Non-Qualifying Shareholders) at the SGM at which the controlling shareholders and their associates or, where there are no controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) relating to the Rights Issue at the SGM. As such, the Directors (excluding independent non-executive Directors) and their associates shall abstain from voting in favour of the resolution(s) to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder at the SGM. As at the Latest Practicable Date, none of the Directors or their associates hold any Shares.

Mr. Liu, the Underwriter, is a substantial shareholder of the Company and therefore a connected person of the Company. Accordingly, the transaction contemplated under the Underwriting Agreement constitute a connected transaction for the Company under the Listing Rules and the Underwriting Agreement is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Mr. Liu and Stone Steps, a company wholly and beneficially owned by him and interested in the Shares, shall also abstain from voting in favour of the resolution(s) in relation to the Underwriting Agreement at the SGM.

Mr. Ding Lei, the chairman, the chief executive officer and an executive Director, is a nephew of Mr. Liu, and as such, may have conflict of interests in respect of the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder and/or the Whitewash Waiver. He has abstained from voting at the meeting of the Board convened to consider such matters. As at the Latest Practicable Date, Mr. Ding does not hold any Shares.

TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

As at the Latest Practicable Date, Mr. Liu and parties acting in concert with him (including Stone Steps) are interested in an aggregate of 38,268,694 Shares, representing approximately 27.4% of the issued share capital of the Company. Mr. Liu has provided the Irrevocable Undertaking to take up and pay for, and procure the taking up and payment by Stone Steps, an aggregate of 57,403,041 Rights Shares to be provisionally allotted to them respectively under the Rights Issue. Assuming no Rights Shares are taken up by the Qualifying Shareholders (other than those to be taken up by Mr. Liu and Stone Steps pursuant to the Irrevocable Undertaking) and no Unsubscribed Rights Shares are successfully placed under the Compensatory Arrangements, Mr. Liu, as the underwriter, will be required to take up a maximum of 152,308,699 Rights Shares. In such circumstances and upon completion of the Rights Issue, assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Rights Shares, Mr. Liu and parties acting in concert with him (including Stone Steps) will, in aggregate, be interested in 247,980,434 Shares, representing approximately 70.9% of the issued share capital of the Company as enlarged by the issue of the Rights Shares. Accordingly, Mr. Liu would be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by him and parties acting in concert with him (including Stone Steps), unless the Whitewash Waiver is granted.

LETTER FROM THE BOARD

An application has been made by Mr. Liu to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, (i) the approval by at least 75% of the independent votes that are casted by the Independent Shareholders at the SGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the Independent Shareholders at the SGM by way of poll in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder. Mr. Liu, his associates and parties acting in concert with him (including Stone Steps), and any Shareholders who are involved in, or interested in (other than by being a Shareholder), or have a material interest in the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder, and/or the Whitewash Waiver shall abstain from voting on the relevant resolution(s) at the SGM.

The Rights Issue is conditional on, among other things, the granting of the Whitewash Waiver by the Executive and the approval by the Independent Shareholders at the SGM in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver as mentioned above. If the Whitewash Waiver is not granted and/or approvals by the Independent Shareholders are not obtained, the Rights Issue will not proceed.

As at the Latest Practicable Date, the Company believes that the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder and the Whitewash Waiver would not give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). The Company notes that the Executive may not grant the Whitewash Waiver if the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder and the Whitewash Waiver do not comply with other applicable rules and regulations.

LETTER FROM THE BOARD

SGM

The register of members of the Company will be closed from Tuesday, 10 May 2022 to Monday, 16 May 2022 (both days inclusive) for determining the eligibility of the Shareholders to attend and vote at the SGM. For the avoidance of doubt, the Non-Qualifying Shareholders are entitled to attend and vote at the SGM.

A notice convening the SGM to be held in a combination of an in-room meeting at Units 5 & 6, 17/F, Convention Plaza Office Tower, 1 Harbour Road, Wan Chai, Hong Kong and a live webcast on Monday, 16 May 2022 at 10:00 a.m. is set out on pages SGM-1 to SGM-4 of this circular. Please refer to the section headed “Special Arrangements and Precautionary Measures for the SGM” for details.

The SGM will be held to consider and, if thought fit, pass the resolutions to approve, among other things, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver. Only the Independent Shareholders will be entitled to vote on the resolutions to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver at the SGM.

A form of proxy for use at the SGM is enclosed with this circular and such form of proxy is also published at the website of the Stock Exchange at www.hkex.com.hk. Whether or not you intend to attend the SGM, you are requested to complete the enclosed form of proxy and indicate voting instruction in accordance with the instructions printed thereon and return it to the Company’s Hong Kong branch share registrar and transfer office, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time for the holding of the SGM (i.e. by 10:00 a.m. on Saturday, 14 May 2022) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjournment thereof.

In accordance with the Listing Rules and the Takeovers Code, Mr. Liu, his associates and any parties acting in concert with him (including Stone Steps), and Shareholders who are involved in, or interested in (other than by being a Shareholder), or have a material interest in the Rights Issue, the Placing Agreement, the Underwriting Agreement and/or the Whitewash Waiver will be required to abstain from voting on the resolution(s) to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver at the SGM. Save as disclosed in this circular, no other Shareholder is involved or interested in or has a material interest in the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver and, hence, is required to abstain from voting on the resolutions to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver at the SGM.

LETTER FROM THE BOARD

THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising Mr. Deng Yougao, Ms. Wong Chi Yan and Mr. Chong Lok Man, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver, and as to the voting action therefor. With the approval of the Independent Board Committee, Halcyon Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in these regards.

Subject to, among other things, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver having been approved by the Independent Shareholders at the SGM, the Prospectus Documents or the Prospectus, whichever appropriate, will be despatched to the Qualifying Shareholders and, for information only, the Non-Qualifying Shareholders in due course.

RECOMMENDATION

The Directors (including the members of the Independent Board Committee whose views in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver are further set out below) consider that the terms of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable, the Whitewash Waiver is fair and reasonable, and the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the members of the Independent Board Committee whose views in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver are further set out below) recommend the Shareholders or the Independent Shareholders (as the case may be) to vote in favour of the resolutions to be proposed at the SGM to approve the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

Having taken into account the advice of Halcyon Capital, the Independent Board Committee considers that the terms of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder are normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Independent Board Committee also considers that the Whitewash Waiver is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 51 to 52 of this circular which contain its recommendation to the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver. Your attention is also drawn to the letter from Halcyon Capital set out on pages 53 to 83 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the aforesaid regards.

Your attention is also drawn to the additional information contained in the appendices to this circular.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE RIGHTS SHARES

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among other things, the Underwriting Agreement having become unconditional and the Underwriters not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the section headed “Termination of the Underwriting Agreement” of this circular). Accordingly, the Rights Issue may or may not proceed.

The Shares are expected to be dealt in on an ex-rights basis from Wednesday, 18 May 2022. Dealings in the Rights Shares in nil-paid form are expected to take place from Tuesday, 31 May 2022 to Wednesday, 8 June 2022. Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or the Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or the nil-paid Rights Shares until all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter’s right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares or the nil-paid Rights Shares.

Yours faithfully,

For and on behalf of the Board

Success Dragon International Holdings Limited

DING Lei

Chairman, chief executive officer and executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Set out below is the text of a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver, which has been prepared for the purpose of inclusion in this circular.

Success Dragon International Holdings Limited

勝龍國際控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1182)

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Principal place of business in
Hong Kong:*
Room 903, 9/F, Tower A
New Mandarin Plaza
14 Science Museum Road
TST East, Kowloon, Hong Kong

22 April 2022

To the Independent Shareholders,

Dear Sir or Madam,

**(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES
FOR EVERY TWO (2) SHARES HELD ON THE RECORD DATE;
(II) CONNECTED TRANSACTION IN RELATION TO
THE UNDERWRITING AGREEMENT;
AND
(III) APPLICATION FOR WHITEWASH WAIVER**

We refer to the circular dated 22 April 2022 of the Company to the Shareholders (the “Circular”), of which this letter forms part. Capitalised terms used herein shall have the same meaning as those defined in the Circular unless the context otherwise requires. We have been appointed as the members of the Independent Board Committee to advise the Independent Shareholders as to whether the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, as to whether the Whitewash Waiver is fair and reasonable and is in the interests of the Company and the Shareholders as a whole and to recommend how the Independent Shareholders should vote at the SGM. Halcyon Capital has been appointed as the independent financial adviser to advise us and the Independent Shareholders in these regards. Details of the advice of Halcyon Capital, together with the principal factors it has taken into consideration in giving its advice, are contained in its letter set out on pages 53 to 83 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendices to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice of Halcyon Capital, we consider that the Rights Issue, the Placing Agreement, the transactions contemplated thereunder and the Whitewash Waiver are fair and reasonable and in the interests of the Company and/or its Independent Shareholders. We also consider that the Underwriting Agreement is on normal commercial terms, and the terms of the Underwriting Agreement are fair and reasonable and in the interests of the Company and/or the Independent Shareholders, despite the transaction contemplated under the Underwriting Agreement is not in the Company's ordinary and usual course of business. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver.

Yours faithfully,

For and on behalf of the Independent Board Committee

Success Dragon International Holdings Limited

DENG Yougao

WONG Chi Yan

CHONG Lok Man

Independent

Independent

Independent

non-executive Director

non-executive Director

non-executive Director

LETTER FROM HALCYON CAPITAL

The following is the full text of the letter of advice from Halcyon Capital Limited to the Independent Board Committee and the Independent Shareholders which has been prepared for the purpose of inclusion in this circular.



Halcyon Capital Limited
11th Floor
8 Wyndham Street
Central
Hong Kong

22 April 2022

To: the Independent Board Committee and the Independent Shareholders

Dear Sirs,

**(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY TWO (2) SHARES HELD ON THE RECORD DATE;
(II) CONNECTED TRANSACTION IN RELATION TO THE UNDERWRITING AGREEMENT; AND
(III) APPLICATION FOR THE WHITEWASH WAIVER**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver (the “**Transactions**”). Details of the Transactions are contained in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 22 April 2022 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

On 15 March 2022, the Company proposed to issue 209,711,740 Rights Shares by way of the Rights Issue, on the basis of three (3) Rights Shares for every two (2) Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price of HK\$0.34 per Rights Share. The Company also entered into the Underwriting Agreement with Mr. Liu, a substantial shareholder of the Company in respect of the Rights Issue, pursuant to which Mr. Liu has agreed to subscribe for the Untaken Rights Shares, being all the Unsubscribed Rights Shares that are not placed by the Placing Agent pursuant to the Compensatory Arrangements.

LETTER FROM HALCYON CAPITAL

The Rights Issue, if proceeds with, will increase the issued share capital of the Company by more than 50%. In accordance with Rule 7.19A and Rule 7.27A of the Listing Rules, the Rights Issue will be subject to the approval by the Independent Shareholders (comprising both the Qualifying Shareholders and the Non-Qualifying Shareholders) at the SGM at which the controlling shareholders and their associates or, where there are no controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) relating to the Rights Issue at the SGM.

Mr. Liu, the Underwriter, is a substantial shareholder of the Company and therefore a connected person of the Company. Accordingly, the transactions contemplated under the Underwriting Agreement constitute a connected transaction for the Company under the Listing Rules and the Underwriting Agreement is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Mr. Liu and Stone Steps, a company wholly and beneficially owned by him and interested in the Shares, shall also abstain from voting in favour of the resolution(s) in relation to the Underwriting Agreement at the SGM.

As at the Latest Practicable Date, Mr. Liu and parties acting in concert with him (including Stone Steps) are, in aggregate, interested in 38,268,694 Shares, representing approximately 27.4% of the issued share capital of the Company. Mr. Liu has provided the Irrevocable Undertaking to take up and pay for, and procure the taking up and payment by Stone Steps, an aggregate of 57,403,041 Rights Shares to be provisionally allotted to them respectively under the Rights Issue. Assuming no Rights Shares are taken up by the Qualifying Shareholders (other than those to be taken up by Mr. Liu and Stone Steps pursuant to the Irrevocable Undertaking) and no Unsubscribed Rights Shares are successfully placed under the Compensatory Arrangements, Mr. Liu, as the Underwriter, will be required to take up a maximum of 152,308,699 Rights Shares. In such circumstance and upon completion of the Rights Issue, assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Rights Shares, Mr. Liu and parties acting in concert with him will, in aggregate, be interested in 247,980,434 Shares, representing approximately 70.9% of the issued share capital of the Company as enlarged by the issue of the Rights Shares. Accordingly, Mr. Liu would be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by him and parties acting in concert with him, unless the Whitewash Waiver is granted.

Mr. Liu has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, (i) the approval by at least 75% of the independent votes that are casted by the Independent Shareholders at the SGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the Independent Shareholders at the SGM by way of poll in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder. Mr. Liu, his associates and parties acting in concert with him (each as defined in the Takeovers Code), and any Shareholders who are involved in, or interested in (other than by being a Shareholder), or have a material interest in the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder, and/or the Whitewash Waiver shall abstain from voting on the relevant resolution(s) at the SGM.

LETTER FROM HALCYON CAPITAL

The Independent Board Committee, comprising Mr. Deng Yougao, Ms. Wong Chi Yan and Mr. Chong Lok Man, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder respectively, and the Whitewash Waiver, and as to the voting action therefor.

We, Halcyon Capital Limited, have been appointed with the approval of the Independent Board Committees as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

OUR INDEPENDENCE

We are not associated with any of the Company, Mr. Liu or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice in respect of the Transactions. There was no business relationship between the Company, and its associated companies, and us in the past two years. Apart from normal professional fees payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from any of the Company or Mr. Liu or any party acting, or presumed to be acting, in concert with any of them. We are not aware of any relationship or interest between us and the Company or other parties that would be reasonably considered to affect our independence to act as an independent financial adviser to the Independent Shareholders in respect of the Transactions.

BASIS OF OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have reviewed, among others:

- (i) the Company's annual report for the year ended 31 March 2021 and interim report for the period ended 30 September 2021;
- (ii) the Underwriting Agreement;
- (iii) the Placing Agreement; and
- (iv) other information as set out in the Circular.

LETTER FROM HALCYON CAPITAL

We have also relied on the information and facts provided, and the opinions expressed, by the Directors and the management of the Company and contained or referred to in the Circular. The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular, and confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts that are not contained in the Circular, the omission of which would make any such statement contained in the Circular misleading. We have assumed that the information and representations provided to us by the Directors and the management of the Company or contained or referred to in the Circular were true and accurate at the time they were made and as at the Latest Practicable Date. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules and Rule 2 of the Takeovers Code.

Your attention is drawn to the responsibility statements as set out in the section headed “1. Responsibility Statement” of Appendix III to the Circular. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Mr. Liu, or their respective subsidiaries or associates. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. The Shareholders will be notified of any material changes on information we have relied on in informing our opinion as soon as possible in accordance with Rule 9.1 of the Takeovers Code. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Furthermore, we have not considered the tax implication on the Shareholders of their participation in the Transactions since this is particular to their own individual circumstances. It is emphasised that we will not accept any responsibility for any tax effect on, or liability of, any person resulting from his or her participation in the Transactions. In particular, the Shareholders who are resident outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position with regard to the Transactions and, if in doubt, should consult their own professional advisers.

LETTER FROM HALCYON CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transactions, we have taken into consideration the following principal factors and reasons:

I. Background of the Transactions

(a) *Information of the Group*

According to the “Letter from the Board” of this Circular, the Group is principally engaged in (i) gold processing and trading business, (ii) outsourced business process management; and (iii) money lending services.

Gold processing and trading business

The Group has diversified its business into the gold-laden carbon processing and the sale of gold and other precious metals in the PRC in March 2020 and amid the challenging business environment brought by the COVID-19 Pandemic, has been able to achieve satisfactory growth and recorded revenue of approximately HK\$135.1 million and HK\$85.5 million and segment profit of HK\$2.4 million and HK\$9.5 million for the year ended 31 March 2021 and the six months ended 30 September 2021 respectively. For details of the business model of the Group’s gold processing and trading business, please refer to the section headed “Business model of the existing gold processing and trading business” in the “Letter from the Board” of the Circular.

Outsourced business process management

The Group’s outsourced business process management business, which involves the operation of gambling equipment at casinos in Macau, has experienced a downturn due to the ongoing novel coronavirus COVID-19 pandemic (the “COVID-19 Pandemic”). Its revenue declined by more than 50% from approximately HK\$84.5 million for the year ended 31 March 2020 to approximately HK\$33.6 million for the year ended 31 March 2021. Pursuant to the interim report of the Group for the six months ended 30 September 2021, despite revenue has been improving during the six months period ended 30 September 2021 from approximately HK\$17.8 million during the six months period ended 30 September 2020 to approximately HK\$19.1 million for the six months ended 30 September 2021, the outsourced business process management segment continued to record a segment loss of approximately HK\$1.7 million for the six months ended 30 September 201.

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Money lending services

Money lending services business only accounted for less than 4% of the total revenue of the Group has remained stable and recorded revenue of approximately HK\$6.5 million for the year ended 31 March 2021. For the six months ended 30 September 2021, revenue of money lending business amounted to HK\$3.8 million and continue to account for less than 4% of the total revenue of the Group for the six months ended 30 September 2021. Segment profit was amounted to HK\$3.3 million and HK\$2.2 million for the year ended 31 March 2021 and for the six months ended 30 September 2021 respectively.

(b) Summary of financial information of the Group

Set out below is a summary of the consolidated financial information of the Group for the two years ended 31 March 2021 as extracted from the Company's annual report for the year ended 31 March 2021 (the "2020/21 Annual Report") and for the six months ended 30 September 2021 and 30 September 2020 as extracted from the Company's interim report for the six months ended 30 September 2021 (the "2021/22 Interim Report"):

(i) Financial performance

	For the year ended		% change	For the six months ended		% change
	31 March (Audited)			30 September (Unaudited)		
	2020	2021	2020	2021		
	HK\$'000	HK\$'000		HK\$'000	HK\$'000	
Revenue	91,430	175,196	91.6%	50,473	108,359	114.7%
Gold-laden carbon processing business	2,066	135,126	6,440.5%	29,559	85,468	189.1%
Money lending services	4,913	6,469	37.1%	3,139	3,792	20.8%
Outsourced business process management	84,451	33,601	(60.2)%	17,775	19,099	7.4%
Gross profit	29,151	19,862	(31.9)%	8,764	21,361	143.7%
Segment loss/profit	(2,253)	(3,563)	58.1%	(3,203)	9,938	410.2%
Gold-laden carbon processing business	(1)	2,429	243,000%	243	9,469	3796.7%
Money lending services	2,139	3,376	57.8%	1,428	2,162	51.4%
Outsourced business process management	(4,391)	(9,368)	113.4%	(4,874)	(1,693)	65.3%
Profit/(Loss) for the period	(11,855)	(10,544)	(11.1)%	(6,103)	4,436	172.69%

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For the year ended 31 March 2021

The increase in revenue for the year ended 31 March 2021 was mainly contributed by the increase in revenue generated from the gold-laden carbon processing business while offset by the decrease in revenue from the Group's outsourced business process management business.

The Group recorded a decrease in net loss for the year ended 31 March 2021 which was mainly attributable to (i) the decrease in the depreciation of property, plant and equipment of approximately HK\$2.4 million as compared to prior year; (ii) the increase in the gold-laden carbon processing business's revenue due to recognition of the revenue for the full financial year of 2021 as the gold-laden carbon processing business commenced in March 2020; and (iii) the decrease in the administrative and other operating expenses, from approximately HK\$34.7 million for the year ended 31 March 2020 to approximately HK\$26 million for the year ended 31 March 2021 due to the cost control measures.

For the six months period ended 30 September 2021

During the six months period ended 30 September 2021, the revenue increased by 114.7% as compared to the corresponding period which was mainly contributed by the increase in revenue from the gold-laden carbon processing and trading business and trading of gold and other precious metal to approximately HK\$85.5 million representing an increase of approximately 189.1% as compared to the corresponding period in 2020. The increment was mainly attributable to i) the increased revenue from gold-laden carbon processing of approximately HK\$53.0 million as the Group has improved its production efficiency and was able to supply larger quantity of gold to its customers after gaining more production experience compared to the condition in the corresponding period in 2020; and ii) the increase in trading of gold and other precious metal of approximately HK\$2.9 million during the period.

The Group recorded a profit of approximately HK\$4.4 million during the six months period ended 30 September 2021 as compared to a loss in the corresponding period in 2020. The turnaround of the net result of the Group during the Period was mainly contributed by the increase in total revenue and hence gross profit as explained above; while offset by the increase in administrative expenses of approximately HK\$2.0 million which was mainly due to increase in professional fee of approximately HK\$1.0 million and staff cost of approximately HK\$1.4 million and the increase in income tax expense of approximately HK\$2.7 million.

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(ii) *Financial position*

	As at 31 March 2021 HK\$'000	As at 30 September 2021 HK\$'000
Non-current assets	9,848	9,676
Current assets	94,473	134,504
Current liabilities	(53,955)	(89,394)
Non-current liabilities	(3,020)	(2,720)
	<hr/>	<hr/>
Net assets	<u>47,346</u>	<u>52,066</u>

Net assets of the Group recorded an increase of approximately 10% which was attributable to the increase in other receivables, deposit and prepayments from HK\$5.2 million as at 31 March 2021 to HK\$55.4 million as at 30 September 2021. Other receivables, deposit and prepayments as at 30 September 2021 comprised mainly purchasing deposit for trading of gold and other precious metals to suppliers amounted to HK\$40.4 million and HK\$5.8 million of prepayment on purchase of gold-laden carbon. The increase in other receivables, deposit and prepayments was also offset by the increase in contract liabilities from nil as at 31 March 2021 to HK\$45.6 million as at 30 September 2021 which were receipt in advance from customers from gold and other precious metal trading business.

(c) *Updates after the Interim Period*

As set out in the Company's announcement dated 6 April 2022, the gold 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 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. During the five months ended 28 February 2022, the gold processing and trading business continued to be the Group's most profitable business.

The abovementioned announcement dated 6 April 2022 also disclosed that the Group is expected to record an unaudited net profit of approximately HK\$1.1 million for the 11 months ended 28 February 2022, which constitutes a profit forecast under Rule 10 of the Takeovers Code. The financial adviser and the reporting accountants of the Company have reported on the Profit Estimate, the letters of which are set out in Appendices IV and V, respectively, to the Circular.

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(d) Future outlook of the Group

According to the interim report of the Group for the six months period ended 30 September 2021, due to the expected inflation in long-term global economy environment as well as geopolitical uncertainties, the Group expected the gold price will remain stably high and will grow further in coming few years, the Group will continue to operate the gold-laden carbon processing and trading of gold and other precious metal business as its core business as which will enable the Group to provide a diversified income sources and increase shareholders' return in long-term.

During the six months period ended 30 September 2021, the Group has also entered into new contracts to continue its outsourced business process management business in Macau with initial term from May 2021 to June 2022, with a conditional option to renew further. The Group will strive to continue the operation of the outsourced business process management business under a conservative approach due to the uncertainties of further infection of the COVID-19 Pandemic and Macau gaming market.

As the Directors believe that the outsourced business process management business will continue to operate under tremendous pressure because the number of visitors to Macau casinos is not able to return to pre-COVID-19 Pandemic level as long as various social distancing measures and travel restrictions in Macau, Hong Kong and China remain in place. Given the recent outbreak of the fifth wave across Hong Kong and China involving new variants of the concerned virus, uplift of the aforesaid measures may not be forthcoming in the near term.

The Directors, in the circumstances, have been trying to identify business opportunities to support the growth of the Group's other businesses. Having considered that the gold processing and trading business performed satisfactorily in the last two years and the Directors expect that both the demand for and price of gold will persist, the Group wishes to expand the gold processing and trading business. In this respect, the Group entered into the Framework Agreement, which is legally-binding, with Jinxing Mining, a company as at the Latest Practicable Date, was wholly and beneficially owned by Bay Area Gold Group, in respect of the establishment of a new processing plant (the "New Plant") with designed annual processing capacity of 600,000 tonnes in Luanchuan County, Henan Province of the PRC.

According to the Directors, choosing to locate the New Plant in Henan Province of the PRC was due to Henan Province is one of the top 10 provinces in China with the most measured gold resources. Pursuant to information published by Luanchuan County Government, Luanchuan County is situated at the polymetallic metallogenic belt of Western Henan, which is one of the 16 important polymetallic metallogenic belts in China of which the area is rich in resources including molybdenum, copper, zinc, gold, silver and iron etc.

We have reviewed the pricing trending of gold spot price 12 months prior to the date of the Announcement, we noted that the gold spot price has been on a rising trend (increased from US\$1,731.67 per Oz on 15 March 2021, reached 12 months high of US\$2,050.76 per Oz on 8 March 2022 and slightly decreased to US\$1,950.88 per Oz on the Last Trading Day and to US\$1,950.09 per Oz on the Latest Practicable Date) and therefore we concur with the Directors that gold price may persist.

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In terms of choice of the location of the New Plant, Henan Province, we have noted from news published by the Bureau of Geology and Mineral Exploration and Development of Henan Province in the PRC (<http://www.hndkj.org.cn/dzzk/webinfo/2021/11/1637429055810134.htm>) dated 2 November 2021 (the “**News Publication**”) that, a gold mine estimated to contain 31.55 tons of gold has been covered in Henan Province in October 2021 and also noted from the News Publication that Henan Province’s gold production quantity ranked second in the PRC for at least the past 30 years. In view of such we concur with the Director that, Henan Province would be a reasonable choice of location of the New Plant.

(e) Information on the Underwriter

The Rights Issue will be underwritten by Mr. Liu, a substantial shareholder of the Company. In the event that Mr. Liu becomes the Controlling Shareholder of the Company as a result of the taking up of the Unsubscribed Shares under the Underwriting Agreement, it is the intention of Mr. Liu to continue the existing businesses of the Group and nominate himself as an executive Director. His appointment will be subject to approval of the Board and will not take effect earlier than the date of completion of the Rights Issue.

Mr. Liu has no intention to introduce any major changes to the businesses of the Group (including any redeployment of the fixed assets of the Group) or terminate the continued employment of the employees of the Group.

Mr. Liu, aged 51, obtained a master’s degree in Science from the University of South Florida in May 2001 and a bachelor’s degree in International Accounting from Jiangxi University of Finance and Economics in July 1994. He has previously served as the Deputy General Manager of the Investment Banking Department of Ping An Bank Co., Ltd. (listed on the Shenzhen Stock Exchange with stock code: 000001) from August 2008 to April 2012. Mr. Liu also served as the General Manager and Deputy General Manager of the Investment Banking Department of the Shenzhen branch of the Industrial and Commercial Bank of China Limited (listed on the Stock Exchange with stock code: 1398 and the Shanghai Stock Exchange with stock code: 601398) from December 2004 to August 2008 and from December 2003 to December 2004, respectively.

In view of the above, we noted that Mr. Liu has relevant experiences in the management role. We have also discussed with management of the Group and we understood that the daily operation of the Group including both gold processing and trading business and the outsourced business process management business were under the management of Mr. Ding Lei, who has expressed to the Group that he will remain in office upon Mr. Liu becomes the Controlling Shareholder of the Company and continue to manage the daily operation of the Group. As Mr. Liu has no intention to introduce any major changes to the businesses of the Group (including any redeployment of the fixed assets of the Group) or terminate the continued employment of the employees of the Group, we do not see Mr. Liu becoming controlling shareholder of the Group would have direct impact towards the daily management of the Group’s operation.

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(f) Reasons for the Rights Issue and other financing options

As mentioned above, to further to expand the Group's gold processing and trading business, the Group entered into the Framework Agreement to develop the New Plant. To finance part of the capital requirement of the New Plant, the Board had considered a mixture of equity, debt and internal resources to finance the total capital outlay of approximately HK\$162.6 million, of which approximately HK\$66.5 million, representing approximately 41% of the total capital outlay will be financed by the net proceeds of the Rights Issue. The Board considers that the Rights Issue is the most suitable channel for the Company to raise equity funds to expand its existing business operations and provide sufficient capital to the Group for its business development. The Rights Issue will also give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Company.

Apart from the Rights Issue, pursuant to the Directors, they have also considered other debt/equity fund raising alternatives such as financing the entire capital requirement by way of debt financing, placing or an open offer.

(i) Pure debt financing

The Directors were of the view that debt financing will carry finance costs, may require the provision of security and, depending on (among other things), the relevant terms and conditions, creditors may rank before the Shareholders in circumstances such as liquidation and/or winding up. Furthermore, interest rates have been showing an upward trend recently (with Hong Kong Interbank Offered Rate increased from 0.15% as at 31 December 2021 to 0.26% as at 15 March 2022 (i.e. the date of the Announcement)), which would also add additional pressure on the Group's finance cost. In view of such, by balancing debt financing portion with equity financing will enable the Group to reduce finance cost and mitigating the credit and liquidity risk of the Group, which we concur with the Director's view that it would be more favorable as compared to pure debt financing option.

(ii) Placing

The Directors considered that as placing will further dilute the interests of the Shareholders without giving them the opportunity to take part in the exercise, furthermore, given the unstable business environment under the Covid-19 Pandemic, the Sino-US trade tension and European warfare, potential third-party investors and financial institutions were more cautious on financing activities, in particular to loss making businesses and result in greater uncertainty on completion. In view the Group has recorded a net loss in the past 5 financial years and the placing will increase dilution to Shareholders, we concur with the Directors that, Rights Issue would be more favorable to the Shareholders.

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(iii) Open offer

As for open offer, similar to a rights issue, it also offers qualifying shareholders to participate, but it does not allow the trading of rights entitlements in the open market. Given that an open offer does not allow the trading of rights entitlements, Shareholders who do not wish to take up their entitlements will not be offered the opportunity to sell their entitled nil-paid Rights Shares on the market as compensation. We concur with the Directors that the Rights Issue would be more favorable and attractive to the Shareholders than an open offer because it would allow the Shareholders more flexibility by providing them the option to sell the nil-paid rights attached to the Shares.

Having considered (i) the Group's gold processing and trading business have been recording growth in revenue amidst to the lingering of the COVID-19 pandemic and the upward trend of gold spot price, which both supported the decision of developing the New Plant; (ii) 60% of the capital outlay of the New Plant will be financed by debt borrowings or internal resources which is expected to create additional finance cost to the Group; (iii) pursuant to the management of the Company, the Group's cash balance as at 28 February 2022 of HK\$41.2 million would not be sufficient to settle the remaining capital requirement of the New Plant; (iv) as the Rights Issue is fully underwritten by Mr. Liu, the Group will have greater certainty that proceeds from the Rights Issue will be able to finance the New Plant and (iv) considered the abovementioned financing alternatives and the Rights Issue allow Qualifying Shareholders to have more flexibility by providing them the option to sell the nil-paid rights while pure debt financing would result in additional finance cost while placing would have larger impact on dilution of Shareholders and involve additional uncertainty on completion as mentioned above, we are of the view that under the current circumstance of the Group, financing the New Plant development from net proceeds of Rights Issue as equity financing option would be in the interest of the Company and the Independent Shareholders as a whole.

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II. Principal terms of the Rights Issue

The Company proposes to implement the Rights Issue on the basis of three (3) Rights Shares for every two (2) Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price of HK\$0.34 per Rights Share, to raise gross proceeds of approximately HK\$71.3 million before expenses by issuing 209,711,740 Rights Shares. The net proceeds from the Rights Issue (after deducting the estimated expenses) are estimated to be approximately HK\$66.5 million. The principal terms of the Rights Issue are set out below:

Rights Issue Statistics

Basis of the Rights Issue	:	Three (3) Rights Shares for every two (2) Shares held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.34 per Rights Share
Net price per Rights Share (i.e., Subscription Price less estimated cost and expenses incurred in the Rights Issue on a per Rights Share basis)	:	Approximately HK\$0.316 per Rights Share
Number of Shares in issue as at the date of the Latest Practicable Date	:	139,807,827 Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	:	209,711,740 Rights Shares (assuming there is no new issue or repurchase of Shares on or before the Record Date)
Gross proceeds from the Rights Issue (before expenses)	:	Approximately HK\$71.3 million (assuming no new issue or repurchase of Shares on or before the Record Date)
Net proceeds from the Rights Issue	:	Approximately HK\$66.5 million (assuming no new issue or repurchase of Shares on or before the Record Date)

As at the Latest Practicable Date, the Company had no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into the Shares.

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The Subscription Price

The Subscription Price of HK\$0.34 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, and, where applicable, when a transferee of nil-paid Rights Shares applies for the Rights Shares. The Subscription Price was determined by the Company with reference to, among other things, (i) the recent market prices of the Shares under the prevailing market conditions; and (ii) the financial condition and the funding needs of the Group.

The Subscription Price represents:

- (i) a discount of approximately 2.86% to the closing price of HK\$0.350 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 4.49% to the average closing prices of the Shares as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.356 per Share;
- (iii) a discount of approximately 3.68% to the average closing prices of the Shares as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.353 per Share;
- (iv) a discount of approximately 1.16% to the theoretical ex-rights price of HK\$0.344 per Share based on the closing price of the Shares of HK\$0.350 as quoted on the Stock Exchange on the Last Trading Day;
- (v) a discount of approximately 11.69% to the closing price of HK\$0.385 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (vi) premium of approximately 0.29% over the net asset value of the Company of approximately HK\$0.339 per Share, which is calculated by dividing the audited consolidated equity attributable to equity holders of the Company of approximately HK\$47.3 million as at 31 March 2021 as shown in the Company's annual report for the year ended 31 March 2021 by 139,807,827 Shares (being the total number of existing issued Shares on the Last Trading Day); and
- (vii) a discount of approximately 8.60% to the net asset value of the Company of approximately HK\$0.372 per Share, which is calculated by dividing the unaudited consolidated equity attributable to equity holders of the Company of approximately HK\$52,066,000 as at 30 September 2021 as shown in the Company's interim report by the existing number of Shares in issue (i.e. 139,807,827 Shares).

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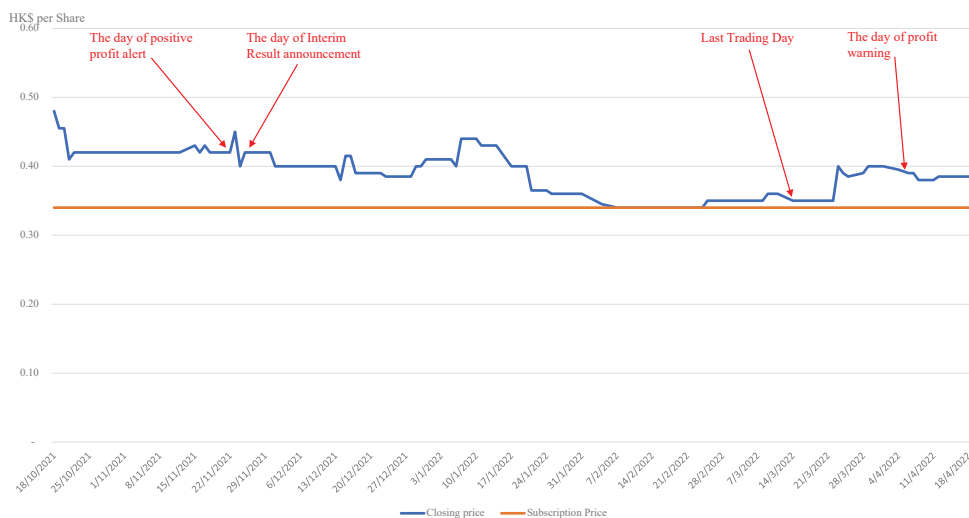
The Rights Issue would result in a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 2.70%, based on the theoretical diluted price of approximately HK\$0.346 per Share and the benchmarked price (as defined under Rule 7.27B of the Listing Rules) of HK\$0.356 per Share.

Assessment of the Subscription Price

Set out below are analyses on the historical price performance of the Shares and comparison of the subscription price with other recent rights issue exercise in assessing the Subscription Price:

Historical share price performance of the Company

Set out below is a chart showing the movement of the daily closing prices of the Shares from 16 October 2021 to the Last Trading Day up to the Latest Practicable Date (the “**Review Period**”) and the comparison against the Subscription Price during the Review Period. This period represents a period of continue lingering COVID-19 Pandemic covering the entire period after the outbreak of the fifth wave of COVID-19 Pandemic since January 2022 in Hong Kong and provides sufficient market data to evaluate the recent trend in stock price movement prior to and during fifth wave of COVID-19 Pandemic. We consider the Review Period adequate to reflect the general market sentiment and illustrate the general trend and level of movement of the daily closing price of the Shares before and after the Subscription Price was determined.



Source: the Stock Exchange

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During the Review Period, the average closing price was approximately HK\$0.39 per Share. The daily closing price ranged from HK\$0.34 per Share as recorded between 7 February 2022 to 24 February 2022 to HK\$0.48 per Share as recorded on 18 October 2021 during the Review Period. During the Review Period, the Subscription Price was lower or equal to the closing price of the Shares.

We noted that with the lingering of the COVID-19 Pandemic and the outbreak of the fifth wave in Hong Kong in December 2021, Share price recorded a decreasing trend throughout the review period. Despite the Group made a profit alert announcement on 22 November 2021, Share price only slightly picked up and merely increased from HK\$0.42 per Share on 22 November 2021 to HK\$0.45 per Share on 23 November 2021 and had since then declined to HK\$0.38 per Share on 14 December 2021. Share Price closed at HK\$0.41 per Share by the end of 2021, below the price prior to the profit alert announcement of HK\$0.42 per Share.

After the Last Trading Day, Share price remained flat at HK\$0.35 per Share from 15 March 2022 up until 22 March 2022 and increased to HK\$0.4 per Share on 23 March 2022. Share price remained stable and traded between HK\$0.39 per Share to HK\$0.4 per Share during the period from 23 March 2022 until 1 April 2022. Share price closed at HK\$0.39 per Share on 6 April 2022 and the Group made a profit warning announcement after trading hours on 6 April 2022 and the Share price remained at the comparable level and continue to close at HK\$0.39 per Share on 7 April 2022.

Comparison with other rights issue exercises

We have considered comparing the terms of the Rights Issue with the rights issue exercises of the Group's comparable companies (i.e., company engages in similar business of the Group). Given the Group has been operating two major segments, the outsourced business process management and the gold processing and trading business, by which we were unable to identify listed comparable companies which carried out both segments of the Group's operation and launched right issue exercises recently. In order to further assess the fairness and reasonableness of the terms of the Rights Issue, we have formulated the following criteria in selecting the comparable transactions:

- (i) rights issue exercises conducted by the companies listed on the Main Board of the Stock Exchange; and
- (ii) rights issue exercises announced in the period from 16 October 2021 to the Last Trading Day (the "**Comparable Review Period**").

Based on the above, we have identified an exhaustive list of 19 rights issue exercises (the "**Comparable Transactions**").

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We consider this period adequate and appropriate given that (i) such period would provide us the recent and relevant information to demonstrate the prevailing market practice prior to the Last Trading Day; (ii) such period represents a time where the COVID-19 pandemic is prevalent and covers the majority time of the outbreak of the fifth wave of COVID-19 outbreak in Hong Kong up to the Last Trading Day; and (iii) sufficient samples for comparison were obtained during the Comparable Review Period. Although the market capitalisation, business, operations, financial positions and prospects of the Company may not be the same as those of the Comparable Transactions and none of the Comparable Transactions engaged in identical or similar business as the Group, however it can still illustrate the recent market practices of rights issue transactions in Hong Kong. As such, we are of the view that the Comparable Transactions identified based on the above selection criteria are a fair and representative sample of transactions to illustrate the rights issue market condition in Hong Kong.

Date of Announcement	Name of company	Market Capitalisation as at Last Trading Day <i>HK\$' billion</i>	Basis of entitlement	Discount/ (Premium) of subscription price to/over the closing price on the last trading date prior to the release of the rights issue announcement %	Discount/ (Premium) of subscription price to/over the theoretical ex-rights price on the last trading date prior to the release of the rights issue announcement %	Theoretical dilution effect %	P/B ratio based on the latest published net asset value prior to the date of announcement <i>(Note 2)</i>
19 Oct 2021	Risecomm Group Holdings Limited (1679.hk)	0.30	1 for 2	0.50	0.50	0	1.69
24 Oct 2021	Yuexiu Real Estate Investment Trust (405.hk)	15.14	37 for 100	12.80	9.60	3.40	0.61
1 Nov 2021	Deson Development International Holdings Limited (262.hk)	0.14	1 for 2	7.40	5.06	2.53	0.06
9 Nov 2021	CIFI Holdings (Group) Co., Ltd (884.hk)	30.66	1 for 20	2.91	2.77	1.38	0.74
16 Nov 2021	King Stone Energy Group Limited (663.hk)	0.28	1 for 2	41.90	32.40	14.60	0.70 <i>(Note 3)</i>
23 Nov 2021	Xinyang Maojian Group Limited (362.hk)	0.23	1 for 2	4.00	2.78	3.30	6.51
23 Nov 2021	Tongda Hong Tai Holdings Limited (2363.hk)	0.12	2 for 1	30.00	12.50	20.83	0.27
30 Nov 2021	Titan Invo Technology Limited (872.hk)	18.41	1 for 2	37.50	28.60	13.97/14.52 <i>(Note 1)</i>	0.77
2 Dec 2021	Seazen Group Limited (1030.hk)	0.30	1 for 21	5.86	5.61	0.51	0.75
15 Dec 2021	Future World Holdings Limited (572.hk)	0.12	3 for 2	33.82	16.97	23.23	0.05 <i>(Note 3)</i>
20 Dec 2021	KNT Holdings Limited (1025.hk)	3.16	1 for 2	15.38	10.81	5.13	3.86

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Date of Announcement	Name of company	Market Capitalisation as at Last Trading Day <i>HK\$' billion</i>	Basis of entitlement	Discount/ (Premium) of subscription price to/over the closing price on the last trading date prior to the release of the rights issue announcement %	Discount/ (Premium) of subscription price to/over the theoretical ex-rights price on the last trading date prior to the release of the rights issue announcement %	Theoretical dilution effect %	P/B ratio based on the latest published net asset value prior to the date of announcement <i>(Note 2)</i>
29 Dec 2021	Bank of Qingdao Co., Ltd (3866.hk)	8.71	3 for 10	11.50	9.10	3.10	0.47
6 Jan 2022	Youth Champ Financial Group Holdings Limited (1160.hk)	0.28	1 for 2	60.00	50.00	20.00	N/A <i>(Note 4)</i>
7 Jan 2022	China New Economy Fund Limited (80.hk)	0.28	1 for 2	28.00	23.30	10.40	1.23
10 Jan 2022	Wisdom Wealth Resources Investment Holding Group Limited (7.hk)	0.34	1 for 2	0	0	3.60	0.10
14 Jan 2022	CITIC Securities Company Limited (6030.hk)	45.12	1.5 for 10	15.00	13.30	2.00	1.02
28/1/2022	Affluent Partners Holdings Limited (1466.hk)	0.04	1 for 1	4.35	2.22	3.15	0.96
14 Feb 2022	Gold Peak Industries (Holdings) Limited (40.hk)	0.58	1 for 6	21.52	19.06	3.04	0.29
2 Mar 2022	Feiyang International Holdings Group Limited (1901.hk)	0.68	1 for 3	56.52	49.49	13.91	7.10
			<i>Average</i>	20.47	15.48	8.13	1.51
			<i>Median</i>	15.00	10.81	3.50	0.75
			<i>Minimum</i>	–	–	–	0.05
			<i>Maximum</i>	60.00	50.00	23.23	7.10
	The Company			2.86	1.16	2.70	0.91

Note 1: The Theoretical Dilution Effect of the respective fundraising exercise may vary depending on the conversion of convertible bonds and exercise of exercisable share options.

Note 2: The P/B ratio is calculated by dividing the subscription price by the latest published net asset value per share as disclosed on respective companies' announcements.

Note 3: Adjustment has been made during calculation to reflect the share consolidation activity(ies) of the respective company prior to the fundraising exercise.

Note 4: The respective company had a negative book value leading to an invalid P/B ratio.

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Referring to the above table, we noted that (i) the discount of Subscription Price to the closing price of the Shares on the Last Trading Day prior to the release of the Announcement; (ii) the discount of Subscription Price to the theoretical ex-rights price on the Last Trading Day prior to the release of the Announcement; and (iii) the P/B ratio of the Subscription Price calculated by dividing the Subscription Price by the unaudited consolidated equity attributable to equity holders of the Company falls within range of the Comparable Transactions but below the average of the Comparable Transactions.

The theoretical dilution effect of the Comparable Transactions ranged from nil to approximately 23.23%, with an average of approximately 8.13% and a median of approximately 3.5%. In this regard, we noted that the theoretical dilution effect of the Rights Issue falls within the range of that of the Comparable Transactions and is in compliance with Rule 7.27B of the Listing Rules as such theoretical dilution effect is less than 25%.

We note that, primarily as a result of the Rights Shares being issued at a discount smaller than the Comparable Transactions, the theoretical dilution effect of the Rights Issue is lower than the average and median of the Comparable Transactions which means that the Shares of the Company, including Shares held by Independent Shareholders, are diluted in relatively smaller magnitude after the Rights Issue comparing to the Comparable Transactions.

III. Use of proceeds

Pursuant to the “Letter from the Board” of the Circular, the net proceeds from the Rights Issue will be applied towards the costs of preparation work and construction work of the New Plant. After completion of the Construction, the New Plant will process gold ore that the Group purchases externally, through a series of mechanical and chemical reactions and steps the gold ore will be refined into gold powder for sales.

(i) Gold price movement

Set out below is the movement of gold spot price 12 months prior to the Last Trading Day:



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As shown in the graph above, gold spot price recorded an increasing trend since 2021 and have increased in the from US\$1,731.67 per Oz on 15 March 2021, reached 12 months high of US\$2,050.76 per Oz on 8 March 2022 and slightly decreased to US\$1,950.88 per OZ on the Last Trading Day. With (i) such an increasing trend of gold price; and (ii) amidst the challenging business environment brought by the COVID-19 Pandemic the gold processing and trading business of the Group has been able to achieve satisfactory growth and recorded an increase in revenue in the latest financial year, we consider applying the Rights Issue proceeds towards the development of New Plant to be reasonable.

(ii) The co-operation with Jinxing Mine

We understand from the management of the Group that, for the purpose of establishing the New Plant, it is necessary for the Group to cooperate with a party which possesses the required qualifications in mining to apply for construction of a new processing plant and the Group entered into the Framework Agreement with Jinxing Mining which holds the mining license of the Jinxing Mine, a wholly and beneficially owned subsidiary of Bay Area Gold Group, a company whose shares are listed on the Stock Exchange, who is qualified to apply for construction of new tailings and processing plant.

We understand from the announcements of Bay Area Gold Group in 2021 and 2022 that Bay Area Gold Group and certain of its subsidiaries, including Jinxing Mining, are involved in various legal and arbitration proceedings and winding-up petitions in the PRC and Hong Kong (the “**Proceedings**”) and might losses their mining right.

According to the “Letter from the Board” of the Circular, if Jinxing Mining loses the mining right subsequent to the obtaining of all necessary approvals for the establishment of the New Plant, as advised by the PRC legal adviser, the co-operation under the Framework Agreement and the operation of the New Plant would not be affected provided that the operation and the management of the New Plant is in compliant with all applicable laws, regulations, normative documents, policies and requirements at that time, and the New Plant is able to source gold ore for its production from other legal source.

We have discussed with the management of the Group that, the net proceeds from the Rights Issue will only be utilized on the development of the New Plant after obtaining of all necessary approvals for the establishment of the New Plant. If Jinxing Mining loses its mining rights as a result of enforcement actions taken by the Applicant or otherwise prior to the obtaining of all approvals for the establishment of the New Plant, the condition precedent (iv) under the Framework Agreement, which requires the obtaining of all necessary consent and authorisation for the establishment of the New Plant by Jinxing Mining, would not be fulfilled and the Framework Agreement would lapse. In such event, the maximum loss to be suffered by the Group would be approximately RMB2.7 million, representing the costs relating to environmental assessment and safety and approvals from the relevant authorities, preliminary design and feasibility review of the New Plant which would be financed by internal resources of the Group. If Jinxing Mining loses the mining right subsequent to the obtaining of all necessary approvals for the establishment of the New Plant, as mentioned above, the co-operation under the Framework Agreement and the operation of the New Plant would not be affected provided that the operation and the

LETTER FROM HALCYON CAPITAL

management of the New Plant is in compliant with all applicable laws, regulations, normative documents, policies and requirements at that time, and the New Plant is able to source gold ore for its production from other legal source.

IV. The Placing Agreement

Mr. Liu, the Underwriter, is a substantial shareholder of the Company interested directly and indirectly through Stone Steps, a company wholly and beneficially owned by him, in an aggregate of 38,268,694 Shares, representing approximately 27.4% of the entire issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rule 7.21(2) of the Listing Rules, the Company will make arrangements to dispose of the Unsubscribed Rights Shares by offering the Unsubscribed Rights Shares to independent placees for the benefit of the relevant No Action Shareholders to whom they were offered under the Rights Issue. As the Compensatory Arrangements are in place, there will be no excess application arrangements as stipulated under Rule 7.21(1)(a) of the Listing Rules.

On 15 March 2022 (after trading hours of the Stock Exchange), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares. Details of the Placing Agreement are as follows:

Placing Agent	:	I Win Securities was appointed as the placing agent to place, or procure the placing of, a maximum of 152,308,699 Unsubscribed Rights Shares, on a best effort basis, to the Placee(s).
		I Win Securities has confirmed that it is independent of and not acting in concert with Mr. Liu and parties acting in concert with him.
Placing commission payable to the Placing Agent	:	The sum of (i) a fixed fee of HK\$100,000 and (ii) 1% of the gross proceeds from the successful placement of Unsubscribed Rights Shares.
Placing price of the Unsubscribed Rights Shares	:	The placing price of the Unsubscribed Rights Shares shall not be less than the Subscription Price.
Placees	:	The Unsubscribed Rights Shares shall only be offered by the Placing Agent to Placee(s) who and whose ultimate beneficial owner(s) are not Shareholders, are Independent Third Party(ies) and are not acting in concert with Mr. Liu and his concert parties (including Stone Steps) and/or any of the Company's connected persons.
Ranking of Unsubscribed Rights Shares	:	The Unsubscribed Rights Shares (when placed, allotted, issued and fully paid) shall rank pari passu in all respects among themselves and with the Shares then in issue.

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- Placing condition : The Placing is subject to and conditional upon the Listing Division of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in the Unsubscribed Shares by not later than 14 June 2022 (or such later date as may be agreed between the Placing Agent and the Company).
- Completion date of the Placing : The third Business Day following the satisfaction of the placing condition set out in the Placing Agreement or such other day as the Company and the Placing Agent may agree.

The terms of the Placing Agreement (including the placing commission of the sum of (i) a fixed fee of HK\$100,000 and (ii) 1% of the gross proceeds from successful placements of Unsubscribed Rights Shares) were determined after arm's length negotiation between the Placing Agent and the Company with reference to the size of the Rights Issue and the prevailing market rate of commission and are on normal commercial terms. The Directors consider that the terms of the Placing Agreement are fair and reasonable.

Assessment of placing commission

To assess the placing commission, we have reviewed rights issue of companies listed on the Main Board of the Stock Exchange in the period from 16 October 2021 to the Last Trading Day which engaged placing agents (“**Placing Commission Comparables**”), set out below are the relevant fees charged by the respective placing agents of the Placing Commission Comparables:

Company Name (Stock Code)	Date of announcement	Fixed fee (HK\$)	Percentage of gross proceeds from the placing (placing commission)
Yuexiu Real Estate Investment Trust (405.hk)	24 October 2021	Nil	1.25%
King Stone Energy Group Limited (663.hk)	16 November 2021	Nil	1%
		300,000	
Tongda Hong Tai Holdings Limited (2363.hk)	24 November 2021	(Note 1)	2%
Future World Holdings Limited (572.hk)	15 December 2021	Nil	3.5%
		85,800	
KNT Holdings Limited (1025.hk)	20 December 2021	(Note 2)	2.5%
Youth Champ Financial Group Holdings Limited (1160.hk)	6 January 2022	Nil	3.5%
China New Economy Fund Limited (80.hk)	7 January 2022	Nil	3.5%
<i>Minimum</i>			1.0%
<i>Maximum</i>			3.5%
<i>Average</i>			2.46%
The Company	15 March 2022	100,000	1%

Note:

- The placing commission would be the higher of a fixed fee of HK\$300,000 or 2% of the gross proceeds from the placing
- Commitment fee payable to the placing agent which could be offset by placing commission

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Although the principal businesses, market capitalisations and financial positions of the companies of the Placing Commission Comparable may be different from those of the Company, we consider that the Placing Commission Comparable were determined under similar market conditions and sentiment and hence, provide a general reference on the key terms for this type of transaction in Hong Kong for the Independent Shareholders.

We have compared the placing commission of the Rights Issue of 1% (the “**Placing Commission**”) to the placing commissions of 7 transactions involving placing as stated in the above. We noted that the Placing Commission of the Rights Issue of 1% falls below the average of the Placing Commission Comparable. In respect of the fixed fee of HK\$100,000, (i) as the Placing commission is at the lower end of the range of the Placing Commission Comparable; (ii) as the placing price of the Unsubscribed Rights Shares would have to be no less than the Subscription Price, in view of the average closing price of the Shares between the day after the Announcement up to the Latest Practicable Date of HK\$0.381 per Share which is at a comparable to the Subscription Price of HK\$0.34 per Rights Share, after relevant placing services carried out by the Placing Agent, there may be no investors subscribing for the Unsubscribed Rights Shares from the Placing Agent and the Placing Agent without a fix fee will have no placing commission; and (iii) the fix fee is within the range of fixed fee of the Placing Commission Comparable of HK\$85,800 to HK\$300,000, hence we considered a minimum fixed fee of HK\$100,000 to be justifiable, in any event no Unsubscribed Rights Shares could be successfully placed by the Placing Agent, the Placing Agent will be still be able to obtain a fee for their service rendered, by which from the above Placing Commission Comparable with fix fee, we consider such arrangement not uncommon for engaging Placing Agents in right issue exercises.

V. Connected transaction in relation to the Underwriting Agreement

The Rights Shares (other than those agreed to be taken up by Mr. Liu and Stone Steps pursuant to the Irrevocable Undertaking) will be fully underwritten by Mr. Liu in accordance with the terms of the Underwriting Agreement. The principal terms and conditions of the Underwriting Agreement are set out below:

Date	:	15 March 2022 (after trading hours of the Stock Exchange)
Underwriter	:	Mr. Liu, who is a substantial shareholder of the Company as at the Latest Practicable Date. It is not in the ordinary course of business of Mr. Liu to underwrite securities.
Number of Rights Shares to be underwritten by the Underwriter	:	152,308,699 Rights Shares (assuming no new Shares will be issued or repurchased on or before the Record Date)
Underwriting Commission:		1% of the aggregate subscription amount in respect of the maximum number of Underwritten Shares (i.e., 152,308,699 Rights Shares) committed to be underwritten, subscribed for or procured subscription for by the Underwriter. The commission payable to the Underwriter by the Company is approximately HK\$518,000.

LETTER FROM HALCYON CAPITAL

Subject to the fulfilment of the conditions contained in the Underwriting Agreement and provided that the Underwriting Agreement is not terminated prior to the Latest Time for Termination in accordance with the terms of the Underwriting Agreement, Mr. Liu has agreed to subscribe for the Untaken Rights Shares (being any Unsubscribed Rights Shares that are not placed by the Placing Agent under the Placing Agreement) at the Subscription Price.

Underwriting commission

The terms of the Underwriting Agreement were determined after arm's length negotiations between the Company and Mr. Liu with reference to the financial position of the Group, the size of the Rights Issue, the current and expected market conditions, taking into consideration the prevailing market rates of underwriting commission in rights issue exercises undertaken by Hong Kong listed issuers in the past six months. In the two cases where the underwriters were a substantial/controllers shareholder (which marked “#” below), we noted that it appears that substantial/controllers shareholder tends to waive the underwriting commission. However, the Company considers that the rate of underwriting commission shall be a commercial decision based on the circumstances of each case including a listed issuer's historical financial performance and future prospects, trading liquidity and risks associated with the underwriting, etc. In determining the underwriting commission under the Underwriting Agreement, the Company and Mr. Liu have taken into account the above factors and the intention of Mr. Liu to facilitate the Company's fundraising efforts for its business development and concluded that a rate of 1% is appropriate.

We have carried out research on underwriting commission charged for underwriting rights issue for companies listed on the Main Board of the Stock Exchange by underwriters for the period from 16 October 2021 to the Last Trading Day (with underwriting commission announced together the rights issue), set out below are the underwriting commission charged by underwriters for underwriting rights issue (the “**Underwriting Comparable**”).

LETTER FROM HALCYON CAPITAL

Company Name (Stock Code)	Date of announcement	Fixed fee	Underwriting commission
		HK\$600,000	
Risecomm Group Holdings Limited (1679.hk)	19 October 2021	<i>(Note 1)</i>	1.0%
Yuexiu Real Estate Investment Trust (405.hk)	24 October 2021	Nil [#]	0% [#]
Deson Development International Holdings Limited (262.hk)	1 November 2021	Nil	3.5%
Xinyang Maojian Group Limited (362.hk)	23 November 2021	Nil	3.5%
Tongda Hong Tai Holdings Limited (2363.hk)	24 November 2021	Nil [#]	0% [#]
		HK\$1.35 million	
Future World Holdings Limited (572.hk)	15 December 2021	<i>(Note 2)</i>	5%
Youth Champ Financial Group Holdings Limited (1160.hk)	6 January 2022	Nil	3.5%
Affluent Partners Holdings Limited (1466.hk)	28 January 2022	Nil	2.5%
Gold Peak Industries (Holdings) Limited (40.hk)	14 February 2022	HK\$2 million	Nil
Feiyang International Holdings Group Limited (1901.hk)	2 March 2022	Nil	2.5%
<i>Taking into consideration cases with zero underwriting fee</i>			
Minimum			0%
Maximum			5.0%
Average			2.39%
<i>Taking into consideration cases charging underwriting fee only</i>			
Minimum			1.0%
Maximum			5.0%
Average			3.07%
The Company	15 March 2022		1.0%

Note:

[#] The underwriter is a substantial/controlling shareholder of the respective company.

- The underwriting commission would be the higher of a fixed fee of HK\$600,000 or 1% of the gross proceeds from the underwriting
- The underwriting commission would be the higher of a fixed fee of HK\$1,350,000 or 5% of the gross proceeds from the underwriting

Source: the Stock Exchange

Pursuant to the table above, a total of 10 listed companies listed on the Main Board of the Stock Exchange announced their proposed rights issues from 16 October 2021 to 15 March 2022 (date of the Announcement), which were underwritten, of which 7 were charged an underwriting commission as a percentage of the gross proceeds from the Rights Issue in the range of 1% and 5% while the average of the rates is 3.07%. The underwriting commission of 1% payable by the Company is at the lower end of the range of the Underwriting Comparable charging underwriting fee and below the average of the underwriting commission rate charged by other underwriters. Accordingly, we consider that the underwriting commission rate of 1% proposed by Mr. Liu is in line with the market.

LETTER FROM HALCYON CAPITAL

We have understood from the Company and pursuant to the “Letter from the Board” of the Circular that, in addition to Mr. Liu, the Company also approached two other securities firms in respect of underwriting the Rights Issue, of which one declined the role for reason of the Financial Resources Rule requirements; and the other declined due to its concern on its ability to sell the underwritten Shares to its clients.

We have also carried out further desktop research on underwriting commission charged for underwriting rights issue for companies listed on the Main Board of the Stock Exchange by controlling/substantial shareholder for the period from 16 October 2018 to the Last Trading Day, set out below are the underwriting commission charged by controlling/substantial shareholders as underwriter.

Company Name (Stock Code)	Date of announcement	Fixed fee	Underwriting commission
South China Financial Holdings Limited (619.hk)	3 July 2019	Nil	2.0%
i-Cable Communication Limited (1097.hk)	9 November 2018	Nil	1.75%

Source: the Stock Exchange

From the above cases, we noted that there were controlling/substantial shareholder being underwriters of right issue exercise which charged underwriting commission.

Taking into account (i) the above principal terms of the Underwriting Agreement including the underwriting commission rate of 1% charged by Mr. Liu is in line with the market; and (ii) the Company had been declined by two other securities firms to act as underwrites, we consider that the terms of the Underwriting Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

VI. Potential dilution effect on the Rights Issue

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their full provisional allotments under the Rights Issue, their proportionate shareholding interests in the Company will remain unchanged after the Rights Issue. Qualifying Shareholders who do not accept the Rights Issue should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue.

LETTER FROM HALCYON CAPITAL

The changes in shareholding structure of the Company arising from completion of the Rights Issue are set out in the section headed “Effects on the shareholding structure of the Company” in the “Letter from the Board” of the Circular.

Assuming no Rights Shares are taken up by the Qualifying Shareholders (other than those to be taken up by Mr. Liu and Stone Steps pursuant to the Irrevocable Undertaking) and no Unsubscribed Rights Shares are successfully placed under the Compensatory Arrangements, Mr. Liu, as the Underwriter, will be required to take up a maximum of 152,308,699 Rights Shares. In such circumstances and upon completion of the Rights Issue, assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Rights Shares, Mr. Liu and parties acting in concert with him will, in aggregate, be interested in 247,980,434 Shares, representing approximately 70.9% of the issued share capital of the Company as enlarged by the issue of the Rights Shares and the shareholdings of other public shareholders will be diluted from 72.6% to 29.1% representing a maximum dilution of 43.5%.

Notwithstanding the potential dilution impact to the public Shareholders who do not participate in the Rights Issue, taking into consideration that (i) all Qualifying Shareholders are offered an equal opportunity to subscribe for the Rights Shares so as to maintain their respective proportionate shareholding interest in the Company; (ii) the shareholding interest of the Qualifying Shareholders would not be diluted if they elect to subscribe for in full of their entitled Rights Shares; (iii) the Rights Issue is an appropriate equity financing option of the Company to develop the New Plant; and (iv) the uses of the net proceeds from the Rights Issue as discussed previously is expected to be beneficial to the long term development of the Group, we are of the opinion that the potential dilution impact to the public Shareholders who do not participate in the Rights Issue as a result of the Rights Issue is acceptable.

VII. Financial impacts of the Rights Issue

It should be noted that the analysis below is for illustrative purpose only and does not purport to represent how the financial position of the Group will actually become upon completion of the Rights Issue.

Net assets and net assets value per Share

Net proceeds from the Rights Issue will immediately increase the cash position of the Group and will be applied in financing the development of New Plant and thus will increase the total assets as well as equity of the Group and hence increase in the net assets of the Group.

However, by merely taking into consideration the Rights Shares will be issued at the Subscription Price which is discounted to the net asset value per Share of the Company (calculated by dividing the unaudited consolidated equity attributable to equity holders of the Company of approximately HK\$52,066,000 as at 30 September 2021 as shown in the Company’s interim report by the existing number of Shares in issue (i.e. 139,807,827 Shares) pursuant to the “Letter from the Board” of the Circular), the net asset value per Share of the Company after completion of the Rights Issue is expected to decrease.

LETTER FROM HALCYON CAPITAL

Liquidity

As the entire net proceeds from the Rights Issue will be applied to finance part of the development of the New Plant, part of the Group's liquidity requirement for the New Plant development will be ease.

Gearing

The net proceeds from the Rights Issue will not have direct effect of the gearing ratio of the Group as the net proceeds will not be applied towards repayment of any loans. However, as the Rights Issue will increase the total equity of the Group, gearing of the Group (without taking into account any plans of borrowings for the development of New Plant) is expected to improve accordingly.

Although the aforementioned analysis is for illustrative purpose and do not represent how the financial position of the Group will actually be upon completion of the Rights Issue, we are of the view that the improvement in the liquidity and net assets of the Group upon completion of the Rights Issue, is in the interests of the Company and the Shareholders as a whole.

VIII. Whitewash Waiver

According to the "Letter from the Board" of this circular, Mr. Liu and parties acting in concert with him (including Stone Steps) are interested in an aggregate of 38,268,694 Shares, representing approximately 27.4% of the issued share capital of the Company. Mr. Liu has provided the Irrevocable Undertaking to take up and pay for, and procure the taking up and payment by Stone Steps, an aggregate of 57,403,041 Rights Shares to be provisionally allotted to them respectively under the Rights Issue.

Assuming no Rights Shares are taken up by the Qualifying Shareholders (other than those to be taken up by Mr. Liu and Stone Steps pursuant to the Irrevocable Undertaking) and no Unsubscribed Rights Shares are successfully placed under the Compensatory Arrangements, Mr. Liu, as the underwriter, will be required to take up a maximum of 152,308,699 Rights Shares. In such circumstance and upon completion of the Rights Issue, assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Rights Shares, Mr. Liu and parties acting in concert with him (including Stone Steps) will, in aggregate, be interested in 247,980,434 Shares, representing approximately 70.9% of the issued share capital of the Company as enlarged by the issue of the Rights Shares. Accordingly, Mr. Liu would be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by him and parties acting in concert with him (including Stone Steps), unless the Whitewash Waiver is granted.

LETTER FROM HALCYON CAPITAL

An application has been made by Mr. Liu to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, (i) the approval by at least 75% of the independent votes that are casted by the Independent Shareholders at the SGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the Independent Shareholders at the SGM by way of poll in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder. Mr. Liu, his associates and parties acting in concert with him (including Stone Steps), and any Shareholders who are involved in, or interested in (other than by being a Shareholder), or have a material interest in the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder, and/or the Whitewash Waiver shall abstain from voting on the relevant resolution(s) at the SGM.

The Rights Issue is conditional on, among other things, the granting of the Whitewash Waiver by the Executive and the approval by the Independent Shareholders at the SGM in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver as mentioned above. If the Whitewash Waiver is not granted and/or approvals by the Independent Shareholders are not obtained, the Rights Issue will not proceed.

In order to implement the Rights Issue and to provide sufficient funds for the Company to develop the New Plant, (i) the Company has engaged the Placing Agent for the placing of the Unsubscribed Rights Shares, which is on a best-effort basis pursuant to the Compensatory Arrangement; and (ii) Mr. Liu has agreed to subscribe for the Untaken Rights Shares, being all the Unsubscribed Rights Shares that are not placed by the Placing Agent or they have been placed but the placees have not paid therefor at 4:00 p.m. on the Placing Completion Date, pursuant to the terms and subject to the conditions set out in the Underwriting Agreement.

In view of (i) the aforesaid reasons for the Rights Issue specially to fund the New Plant; (ii) the Rights Issue are in the interests of the Company and the Shareholders as a whole; (iii) that the terms of the Rights Issue are fair and reasonable; and (iv) given that all Qualifying Shareholders will be provided with an equal opportunity to take up the Rights Shares in accordance with their provisional entitlements under the Rights Issue and their respective interests in the Company will not be diluted if they elect to take up in full of their provisional allotments under the Rights Issue, we are of the opinion that, for the purposes of implementing the Rights Issue as discussed above, the grant of the Whitewash Waiver is in the interests of the Company and/or the Independent Shareholders as a whole.

LETTER FROM HALCYON CAPITAL

RECOMMENDATION

Having taken into account the above principal factors and reasons discussed above including but not limited to:

- (i) the Group's gold processing and trading business have been recording growth in revenue amidst to the lingering of the COVID-19 pandemic and the upward trend of gold spot price, which both supported the decision of developing the New Plant;
- (ii) the Rights Issue is fully underwritten by Mr. Liu, the Group will have greater certainty that proceeds from the Rights Issue will be able to finance the New Plant;
- (iii) the underwriting commission rate of 1% proposed by Mr. Liu is in line with the market;
- (iv) all Qualifying Shareholders are offered an equal opportunity to subscribe for the Rights Shares so as to maintain their respective proportionate shareholding interest in the Company;
- (v) the shareholding interest of the Qualifying Shareholders would not be diluted if they elect to subscribe for in full of their entitled Rights Shares; and
- (vi) the Rights Issue allow Qualifying Shareholders to have more flexibility by providing them the option to sell the nil-paid rights;

we are of the opinion that:

- (i) the Rights Issue, the Placing Agreement, the transactions contemplated thereunder and the Whitewash Waiver are fair and reasonable and in the interest of the Company and/or its Independent Shareholders; and
- (ii) the Underwriting Agreement is on normal commercial terms, and the terms of the Underwriting Agreement are fair and reasonable and in the interest of the Company and/or its Independent Shareholders, despite the transaction contemplated under the Underwriting Agreement is not in the Company's ordinary and usual course of business.

LETTER FROM HALCYON CAPITAL

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolutions to be proposed to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement, and the Whitewash Waiver at the SGM.

Yours faithfully,
for and on behalf of
HALCYON CAPITAL LIMITED

Terry Chu
Managing Director

Mr. Chu is a person licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and regarded as a responsible officer of Halcyon Capital Limited and has over 20 years of experience in corporate finance industry.

APPENDIX I FINANCIAL INFORMATION OF THE GROUP

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Details of the audited consolidated financial information of the Group for the years ended 31 March 2019, 2020 and 2021 and the unaudited consolidated financial information of the Group for the Interim Period are disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.successdragonintl.com):

- (i) the unaudited financial information of the Group for the Interim Period is disclosed in the interim report of the Company for the Interim Period published on 2 December 2021, from pages 4 to 29
(www.hkexnews.hk/listedco/listconews/sehk/2021/1202/2021120200862.pdf);
- (ii) the audited financial information of the Group for the year ended 31 March 2021 is disclosed in the annual report of the Company for the year ended 31 March 2021 published on 23 July 2021, from pages 59 to 127
(www.hkexnews.hk/listedco/listconews/sehk/2021/0723/2021072300408.pdf);
- (iii) the audited financial information of the Group for the year ended 31 March 2020 is disclosed in the annual report of the Company for the year ended 31 March 2020 published on 27 July 2020, from pages 59 to 131
(www.hkexnews.hk/listedco/listconews/sehk/2020/0727/2020072700670.pdf); and
- (iv) the audited financial information of the Group for the year ended 31 March 2019 is disclosed in the annual report of the Company for the year ended 31 March 2019 published on 24 July 2019, from pages 68 to 151
(www.hkexnews.hk/listedco/listconews/sehk/2019/0724/lt20190724165.pdf).

APPENDIX I FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the consolidated financial information of the Group for the years ended 31 March 2019, 2020 and 2021, the Interim Period and the six months ended 30 September 2020.

	For the six months ended		For the year ended 31 March		
	30 September		2021	2020	2019
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (audited)	HK\$'000 (audited)	HK\$'000 (audited)
Revenue	108,359	50,473	175,196	91,430	87,787
Cost of sales	(86,998)	(41,709)	(155,334)	(62,279)	(61,718)
Gross profit	21,361	8,764	19,862	29,151	26,069
Other net gain/(loss)	1,107	198	1,497	1,916	2,186
Selling and distribution costs	(656)	(1,249)	(2,119)	(5,371)	(5,522)
Administrative and other operating expenses	(13,885)	(11,912)	(25,960)	(34,674)	(56,284)
Profit/(loss) from operations	7,927	(4,199)	(6,720)	(8,978)	(33,551)
Impairment loss of property, plant and equipment	–	–	–	–	(4,147)
Finance costs	(1,460)	(1,186)	(2,472)	(2,421)	(1,200)
Share of profit/(loss) of an associate	643	(718)	(744)	(456)	–
Profit/(loss) before tax	7,110	(6,103)	(9,936)	(11,855)	(38,898)
Income tax expense	(2,674)	–	(608)	–	–
Profit/(loss) for the period	4,436	(6,103)	(10,544)	(11,855)	(38,898)
Other comprehensive income:					
<i>Items that will not be reclassified to profit or loss:</i>					
Fair value change of equity investments at fair value through other comprehensive income	–	–	–	–	(54,157)
<i>Items that may be reclassified to profit or loss:</i>					
Exchange differences on translating foreign operations	24	21	59	180	974
Exchange difference on reclassified to profit or loss on disposal of subsidiaries	260	–	–	–	–
Total other comprehensive income/(loss) for the period, net of tax	284	21	59	180	(53,183)
Total comprehensive income/(loss) for the period	4,720	(6,082)	(10,485)	(11,675)	(92,081)
Earnings/(loss) per Share (HK cents per Share)		(Restated)		(Restated)	
<i>Basic and diluted earnings/(loss) per Share</i>	3.17	(5.16)	(8.91)	(10.02)	(1.74)

The management discussion and analysis of the Company for each of the financial years ended 31 March 2019, 2020 and 2021, the Interim Period and the six months ended 30 September 2020 are disclosed in the annual reports of the Company for the financial years ended 31 March 2019, 2020 and 2021 and the interim reports of the Company for the Interim Period and the six months ended 30 September 2020, respectively. No qualified or modified opinion, emphasis of matter or material uncertainty related to going concern was contained in the auditor's reports of the Company issued by Zhonghui Anda CPA Limited for each of the financial years ended 31 March 2019, 2020 and 2021.

2. STATEMENT OF INDEBTEDNESS

Other loans and lease liabilities

As at the close of business of 28 February 2022, being the latest practicable date for the purpose of determining the indebtedness of the Group prior to the printing of this circular, the Group had outstanding other unsecured loans and lease liabilities of approximately HK\$24,834,000 and HK\$590,000 respectively.

For the purpose of the above statement of indebtedness, foreign currency denominated in RMB amounts have been translated into HK\$ at the rates of exchange prevailing (HK\$1/RMB0.81) as at 28 February 2022.

Save as disclosed above and for intra-group liabilities, the Group did not have any debt securities authorized or created but unissued, issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guaranteed, unguaranteed, secured and unsecured borrowing and debt, or other material contingent liabilities as at the close of business on 28 February 2022.

3. SUFFICIENCY OF WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the effects of the Rights Issue (in the absence of any unforeseen circumstances) and the financial resources available to the Group (including internally generated funds and available facilities), the Group will have sufficient working capital for its present requirements and for at least the next twelve months from the date of this circular.

4. MATERIAL CHANGE

Save as disclosed below, the Directors confirmed that there has been no material change in the financial or trading position or outlook of the Group since 31 March 2021 (being the date to which the latest published audited financial statements of the Group were made up) and up to and including the Latest Practicable Date:

- (a) As disclosed in the Interim Report, the Group recorded the Interim Profit of approximately HK\$4.4 million during the Interim Period (corresponding period in 2020: loss attributable to owners of the Company of approximately HK\$6.1 million). The turnaround of the net result of the Group during the Interim Period was mainly caused by the net effect of the following factors: (i) the increase in total revenue of approximately HK\$57.9 million during the Interim Period primarily due to increased revenue from gold-laden carbon processing of approximately HK\$53.0 million as the Group had improved its production efficiency and able to supply larger quantity of gold to its customers after gaining more production experience, increased revenue from trading of gold and other precious metal of approximately HK\$2.9 million, increased revenue from the outsourced business process management business of approximately HK\$1.3 million and increased revenue derived from money lending services of approximately HK\$0.7 million; (ii) the increase in gross profit of approximately HK\$12.6 million during the Interim Period which was in line with the increase in revenue during the Interim Period; (iii) the increase in administrative expenses of approximately HK\$2.0 million which was mainly due to increase in professional fee of approximately HK\$1.0 million and staff cost of approximately HK\$1.4 million which were partly offset by decrease of miscellaneous expenses of approximately HK\$0.4 million; and (iv) the increase in income tax expense of approximately HK\$2.7 million.

As disclosed in the announcement in relation to a profit warning dated 6 April 2022, the Group expected that the Profit Estimate for the 11 months ended 28 February 2022 would be approximately HK\$1.1 million. 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, resulted 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 corporate overhead of the Group in the same period;

- (b) As disclosed in the Interim Report, the trade receivables of the Group amounted to approximately HK\$17,000 as at 30 September 2021. The Group expected that its trade receivables would increase substantially as at 28 February 2022 due to the longer time taken by one of the Group's major customers in the gold-laden carbon processing business to settle the amount due to the Group;
- (c) As disclosed in the Interim Report, out of the other receivables, deposits and prepayments of approximately HK\$55.4 million, approximately HK\$5.8 million represented prepayment on purchase of gold-laden carbon for processing purpose and approximately HK\$40.4 million represented the purchase deposit for trading of gold and other precious metals to suppliers. The Group expected that the other receivables, deposits and prepayments would decrease significantly as at 28 February 2022 as a significant amount of purchase deposit made to suppliers for trading of gold and other precious metals has been utilised;
- (d) As disclosed in the Interim Report, the trade payables of the Group amounted to approximately HK\$1.1 million as at 30 September 2021. The Group expected that its trade payables would increase substantially as at 28 February 2022 due to the longer time taken by the Group to settle its amount due to its major supplier in the gold-laden carbon processing business as a result of the longer time taken by one of the Group's major customers to settle the amount due to the Group as mentioned in (b) above; and
- (e) On 15 March 2022, the Company proposed the Rights Issue on the basis of three (3) Rights Shares for every two (2) Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price of HK\$0.34 per Rights Share, to raise gross proceeds of approximately HK\$71.3 million before expenses by issuing 209,711,740 Rights Shares. The net proceeds from the Rights Issue (after deducting the estimated expenses) are estimated to be approximately HK\$66.5 million. In connection with Rights Issue, the Company also entered into the Placing Agreement with the Placing Agent and the Underwriting Agreement with the Underwriter. Details of the Rights Issue, the Placing Agreement and the Underwriting Agreement are set out in the sections headed "Letter from the Board" and "Termination of the Underwriting Agreement" in this circular.

The Profit Estimate was prepared by the Directors based on the unaudited consolidated results based on the management accounts of the Group for the 11 months ended 28 February 2022. As the Profit Estimate constitutes a profit forecast under Rule 10 of the Takeovers Code, it was reported on by the financial adviser and the reporting accountant of the Company, the letters of which are set out in Appendices IV and V, respectively, to this circular. The Profit Estimate has been prepared in all material respects, in accordance with the accounting policies consistent with those adopted by the Group as summarised in the annual report of the Company for the year ended 31 March 2021.

5. BUSINESS TREND AND FINANCIAL AND TRADING PROSPECT

The Group is principally engaged in gold processing and trading business, outsourced business process management and money lending services. The Group's outsourced business process management business, which involves the operation of gambling equipment at casinos in Macau, has experienced a downturn due to the ongoing COVID-19 Pandemic. The money lending services business, on the other hand, has remained stable. The Group's gold processing and trading business, amid the challenging business environment brought by the COVID-19 Pandemic, has been able to achieve satisfactory growth.

The Directors believe that the outsourced business process management business will continue to operate under tremendous pressure because the number of visitors to Macau casinos is not able to return to pre-COVID-19 Pandemic level as long as various social distancing measures and travel restrictions in Macau, Hong Kong and China remain in place. Given the recent outbreak of the fifth wave involving new variants of the concerned virus, uplift of the aforesaid measures may not be forthcoming in the near term. The Directors, in the circumstances, have been trying to identify business opportunities to support the growth of the Group's other businesses. Having considered that the gold processing and trading business performed satisfactorily in the last two years and the Directors expect that both the demand for and price of gold will persist, the Group wishes to expand the gold processing and trading business. In this respect, the Group entered into the Framework Agreement, which is legally-binding, with Jinxing Mining, a company wholly and beneficially owned by Bay Area Gold Group, on the 15 March 2021 in respect of the establishment of the New Plant. Details of the New Plant and the Framework Agreement are set out in the sub-section headed "The New Plant and the Framework Agreement" under the section headed "Reasons for and benefits of the Rights Issue and use of proceeds" in the "Letter from the Board" contained in this circular.

As disclosed in the section headed "Material Change" above, the Group's gold processing and trading business experienced a lower level of profit on a monthly basis in the five months ended 28 February 2022 as compared with that in the Interim Period. The Group noted that the level of profitability of this business could be affected by the grading of raw materials, which may vary at times. It is because the raw materials of the Group's gold processing and trading business (i.e. gold-laden carbon at present) are by and large natural resources, the compositions or contents of which cannot be standardized. The New Plant, after commencement of operations, may face a similar situation with its raw materials (i.e. gold ore). The Directors consider the above is inherent in view of the nature of the business. Nevertheless, the gross profit margin of this business would not be much affected by the grading of raw materials as the pricing basis stated in the purchase contracts entered between the Group and its suppliers ensures that the purchase price reciprocates the grading of raw materials.

APPENDIX I FINANCIAL INFORMATION OF THE GROUP

If the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver are approved by the Independent Shareholders at the SGM, the Company will proceed with the establishment of the New Plant according to the plan set out in the “Letter from the Board” in this circular. With the New Plant in operations in conjunction with the Existing Plant, the Group’s gold processing capacity will be significantly increased. The Group will remain focused on its gold processing and trading business in the foreseeable future.

For illustrative purpose only, set out below is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group after completion of the Rights Issue. Although reasonable care has been exercised in preparing the unaudited pro forma financial information, Shareholders who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the Group's financial results and position for the financial periods concerned.

**A. STATEMENT OF UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED
NET TANGIBLE ASSETS OF THE GROUP**

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with Paragraph 13 of Appendix 1B and Paragraph 29 of Chapter 4 of the Listing Rules is set out below to illustrate the effects of the Rights Issues on the consolidated net tangible assets of the Group as if the Rights Issue had taken place on 30 September 2021.

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only, based on the judgements and assumptions of the Directors of the Company, and because of its hypothetical nature, may not give a true picture of the financial position of the Group following the Rights Issue.

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group is based on the unaudited consolidated net tangible assets of the Group as at 30 September 2021, adjusted as described below:

Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2021	Estimated net proceeds from the Rights Issue	Unaudited pro forma adjusted consolidated net tangible assets of the Group as at 30 September 2021
<i>(Note 1)</i>	<i>(Note 2)</i>	
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
51,657	66,468	118,125
		Unaudited consolidated net tangible assets per existing Share before completion of the Rights Issue <i>(Note 3)</i>
		HK\$0.369
		Unaudited pro forma adjusted consolidated net tangible assets per Share immediately after completion of the Rights Issue <i>(Note 4)</i>
		HK\$0.338

Notes:

- The unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2021 are based on the unaudited condensed consolidated net assets in the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2021 as set out in the published interim report of the Group for the six months end 30 September 2021.
- The estimated net proceeds from the Rights Issue are based on 209,711,740 Rights Shares at the Subscription Price of HK\$0.34 per Rights Share, after deduction of the professional fees and other share issue related expenses payable by the Company of approximately HK\$4,834,000.
- The number of Shares used for the calculation of this amount is 139,807,827, representing the number of Shares in issue as at Latest Practicable Date.
- The number of Shares used for the calculation of this amount is 349,519,567, representing 139,807,827 Shares and 209,711,740 Rights Shares.

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountant, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong.

B. ACCOUNTANT’S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP



22 April 2022

**The Board of Directors
Success Dragon International Holdings Limited**

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Success Dragon International Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The pro forma financial information consists of the pro forma adjusted consolidated net tangible assets as at 30 September 2021 as set out on pages II-1 to II-2 of the circular issued by the Company (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Appendix II of the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the Rights Issue on the Group’s net tangible assets as at 30 September 2021 as if the transaction had been taken place at 30 September 2021. As part of this process, information about the Group’s net tangible assets has been extracted by the Directors from the Group’s condensed consolidated financial statements as included in the interim report for the six months ended 30 September 2021, on which no audit or review report has been published.

Directors’ Responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 13 of Appendix 1B and paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline (“**AG**”) 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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 Accountant’s Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Circular” issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2021 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We make no comments regarding the reasonableness of the amount of net proceeds from the Rights Issue, the application of those net proceeds, or whether such use will actually take place as described under "Reasons for and benefits of the rights issue and use of proceeds" set out on pages 32 to 44 of the Circular.

Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Hong Kong

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular (other than those relating to Mr. Liu and parties acting in concert with him (including Stone Steps)) is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than those relating to Mr. Liu and parties acting in concert with him (including Stone Steps)) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by Mr. Liu) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

Mr. Liu accepts full responsibility for the accuracy of the information contained in this circular (other than those relating to the Group), and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this circular (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and following completion of the Rights Issue (assuming no further issue or repurchase of Shares on or before the completion of the Rights Issue) will be as follows:

(i) As at the Latest Practicable Date

Authorised share capital:	<i>HK\$</i>
<u>30,000,000,000</u> Shares of HK\$0.01 each	<u>300,000,000</u>
Issued and paid-up share capital:	
<u>139,807,827</u> Shares of HK\$0.01 each	<u>1,398,078.27</u>

(ii) **Immediately following the completion of the Rights Issue (assuming no other issue or repurchase of Shares up to completion of the Rights Issue save for the issue of the Rights Shares)**

Authorised share capital:		<i>HK\$</i>
<u>30,000,000,000</u>	Shares of HK\$0.01 each	<u>300,000,000</u>
Issued and paid-up share capital:		
139,807,827	Shares of HK\$0.01 each	1,398,078.27
209,711,740	Rights Shares of HK\$0.01 each to be issued pursuant to the Rights Issue	2,097,117.40
<u>349,519,567</u>	Shares of HK\$0.01 each immediately following the completion of the Rights Issue	<u>3,495,195.67</u>

All the Shares rank *pari passu* with each other in all respects including the rights as to dividends, voting and return of capital. The Rights Shares, when allotted, issued and fully paid, will rank *pari passu* with each other and the Shares in issue on the date of allotment and issue of the Rights Shares in all respects including rights to dividends, voting and return of capital. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of issue of the fully-paid Rights Shares.

The Company will apply to the Stock Exchange for the listing of, and permission to deal in the Rights Shares in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, there were no arrangements under which future dividends are waived or agreed to be waived.

The Company allotted and issued 429,870,000 new Shares on 31 March 2021 pursuant to the placing agreement dated 17 March 2021. Save as disclosed above, the Company had not issued any Shares since 31 March 2021, being the end of the last financial year of the Company, and up to the Latest Practicable Date.

As at the Latest Practicable Date, the Company had no outstanding warrants, options or convertible securities in issue which confer any right to subscribe for, convert or exchange into Shares.

3. MARKET PRICES

The table below shows the closing price(s) of the Shares as quoted on the Stock Exchange (i) on the Last Trading Day, (ii) at the end of each calendar months during the Relevant Period and (iii) on the Latest Practicable Date:

Date	Closing price per Share <i>HK\$</i>
30 September 2021	0.475
29 October 2021	0.420
30 November 2021	0.420
31 December 2021	0.410
31 January 2022	0.360
28 February 2022	0.350
14 March 2022 (the Last Trading Day)	0.350
31 March 2022	0.400
19 April 2022 (the Latest Practicable Date)	0.385

The highest and lowest closing prices per Share as quoted on the Stock Exchange during the period commencing from 14 September 2021, being the first day of the Relevant Period, and ending on the Latest Practicable Date are HK\$0.60 on 14 September 2021 and HK\$0.34 on each day from 7 to 24 February 2022, respectively.

4. DISCLOSURE OF INTERESTS

(i) Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company or any associated corporations

As at the Latest Practicable Date, none of the Directors and chief executive of the Company were interested in or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange; or (iv) were required to be disclosed under the Takeovers Code.

(ii) Interest of substantial shareholders

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the following person, other than a Director or chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long position in the Shares

Name	Capacity	Number of Shares	Shareholding (%) (Note 1)
Mr. Liu (Note 2)	Beneficial owner	227,605,434	70.95%
	Interest of controlled corporation	20,375,000	
Stone Steps (Note 3)	Beneficial owner	20,375,000	5.83%

Notes:

- The percentage of interest in the Company was calculated by reference to the maximum number of Shares in issue as enlarged by the allotment and issue of the Rights Shares (assuming no change in the issued share capital of the Company up to the Record Date, being 349,519,567).
- Mr. Liu has provided the Irrevocable Undertaking to take up and pay for, and procure the taking up and payment by Stone Steps, an aggregate of 57,403,041 Rights Shares to be provisionally allotted to them respectively under the Rights Issue. Assuming no Rights Shares are taken up by the Qualifying Shareholders (other than those to be taken up by Mr. Liu and Stone Steps pursuant to the Irrevocable Undertaking) and no Unsubscribed Rights Shares are successfully placed under the Compensatory Arrangements, Mr. Liu, as the underwriter, will be required to take up a maximum of 152,308,699 Rights Shares. In such circumstances and upon completion of the Rights Issue, assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Rights Shares, Mr. Liu and parties acting in concert with him (including Stone Steps) will, in aggregate, be interested in 247,980,434 Shares, representing approximately 70.9% of the issued share capital of the Company as enlarged by the issue of the Rights Shares.
- Mr. Liu is the sole beneficial shareholder of Stone Steps. Therefore, Mr. Liu is deemed to be interested in all the Shares in which Stone Steps is interested by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no person (other than a Director or chief executive of the Company) had, or was taken or deemed to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

5. DIRECTORS' SERVICES CONTRACTS

As at the Latest Practicable Date, (i) none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies in force which (a) (including continuous and fixed term contracts) had been entered into or amended during the Relevant Period; (b) were continuous contracts with a notice period of 12 months or more; or (c) were fixed term contracts with more than 12 months to run irrespective of the notice period; and (ii) none of the Directors had any existing or proposed service contract with any member of the Group which is not expiring or determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business apart from the business of the Group which competes or is likely to compete, either directly or indirectly, with the business of the Group.

7. DIRECTORS' INTEREST IN ASSETS, CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors had any interest, directly or indirectly, in any asset which, since 31 March 2021, being the date to which the latest published audited financial statements of the Group were made up, had been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group. Nevertheless, the Company entered into the Underwriting Agreement with Mr. Liu, the Underwriter, a substantial shareholder of the Company and therefore a connected person of the Company. Accordingly, the transactions contemplated under the Underwriting Agreement constitute a connected transaction for the Company under the Listing Rules. Mr. Ding Lei, the Chairman, the Chief Executive Officer and an executive Director of the Company, is the nephew of Mr. Liu, and as such, may have conflict of interests in respect of the Rights Issue, the Underwriting Agreement, Placing Agreement and the transactions contemplated thereunder and/or the Whitewash Waiver. He has voluntarily abstained from voting at the meeting of the Board convened to consider such matters.

8. ADDITIONAL DISCLOSURE

As at the Latest Practicable Date,

- (i) there was no agreement, arrangement or understanding pursuant to which the Rights Shares to be acquired by Mr. Liu under the Rights Issue will be transferred, charged or pledged to other persons;

- (ii) save as disclosed in the shareholding structure table as set out in the section headed “Effects on the shareholding structure of the Company” in the “Letter from the Board” of this circular, none of the Directors and Mr. Liu and any parties acting in concert with him (including Stone Steps) own, control or have control or direction over any voting rights and rights over shares, convertible securities, warrants, options or derivatives of the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) (the “**Relevant Securities**”) of the Company;
- (iii) Mr. Liu and any parties acting in concert with him (including Stone Steps) and the Company have not received any irrevocable commitment from any Shareholders to vote for or against the proposed resolutions relating to the Rights Issue, the Placing Agreement, the Underwriting Agreement and/or the Whitewash Waiver at the SGM;
- (iv) save for the Irrevocable Undertaking given by Mr. Liu, the Company has not received any irrevocable commitment from any Shareholders to accept or reject the relevant Rights Shares to be provisionally allotted to the relevant party under the Rights Issue;
- (v) save for the Underwriting Agreement entered into between the Company and Mr. Liu, and the Irrevocable Undertaking given by Mr. Liu, Mr. Liu and any parties acting in concert with him (including Stone Steps) do not have any arrangements referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise), with any other persons in relation to the Relevant Securities of the Company, which might be material to the Rights Issue and/or the Underwriting Agreement and/or the Whitewash Waiver;
- (vi) I Win Securities does not own or control or have control or direction over any Relevant Securities of the Company and had not dealt for value in any such securities of the Company during the Relevant Period;
- (vii) Mr. Liu and any parties acting in concert with him (including Stone Steps), the Company and the Directors have not borrowed or lent any Relevant Securities of the Company;
- (viii) no benefit had been or would be given to any Director as compensation for loss of office or otherwise in connection with the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver;
- (ix) save for the Underwriting Agreement and the Irrevocable Undertaking, there was no agreement, arrangement or understanding (including any compensation arrangement) existed among Mr. Liu or any parties acting in concert with him (including Stone Steps) and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Rights Issue, the Underwriting Agreement and the Whitewash Waiver;

- (x) save that the Rights Issue and the Underwriting Agreement are conditional upon, among other things, obtaining of the Whitewash Waiver by Mr. Liu as set out in the sub-section headed “Conditions of the Rights Issue” under the section headed “The Underwriting Agreement” in the “Letter from the Board” contained in this circular, there is no agreement or arrangement to which Mr. Liu or any parties acting in concert with him (including Stone Steps) is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Rights Issue and/or the Underwriting Agreement and/or the Whitewash Waiver;
- (xi) the subsidiaries of the Company, pension funds of the Company or of any subsidiaries of the Company or a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code do not own, control or have control or direction over any Relevant Securities of the Company. The aforesaid parties had not dealt for value in any such securities of the Company during the Relevant Period;
- (xii) save for the Placing Agreement entered between the Company and I Win Securities, the Underwriting Agreement entered between the Company and Mr. Liu, and the Irrevocable Undertaking given by Mr. Liu to the Company, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code. Each of Mr. Liu and I Win Securities had not dealt for value in any Relevant Securities of the Company during the Relevant Period;
- (xiii) no Relevant Securities of the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company;
- (xiv) Mr. Liu has executed the Irrevocable Undertaking to, among others, subscribe for and/or procure subscriptions for 57,403,041 Rights Shares which comprise the full amount of provisional entitlements under the Rights Issue in respect of the aggregate 38,268,694 Shares beneficially held by Mr. Liu and Stone Steps. In accordance with the Listing Rules and the Takeovers Code, Mr. Liu, his associates and any parties acting in concert with him (including Stone Steps) shall abstain from voting in favour of the resolutions to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver at the SGM;

- (xv) there was no agreement or arrangement between any of the Directors and any other person which was conditional or dependent on the outcome of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver or otherwise connected with the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver;
- (xvi) there was no material contract entered into by Mr. Liu and parties acting in concert with him (including Stone Steps) in which any Director had a material personal interest;
- (xvii) save for the underwriting commission to be paid by the Company to Mr. Liu pursuant to the terms of the Underwriting Agreement, the Company has not paid and will not pay any consideration, compensation or benefit in whatever form to Mr. Liu and parties acting in concert with him (including Stone Steps) in connection with the Rights Issue and the Underwriting Agreement;
- (xviii) apart from the Underwriting Agreement and the Irrevocable Undertaking, there is no other understanding, arrangement or special deal between the Company on the one hand, and Mr. Liu and parties acting in concert with him (including Stone Steps) on the other hand; and
- (xix) there was no understanding, arrangement or agreement or special deal between (a) any Shareholder; and (b) (i) Mr. Liu and parties acting in concert with him (including Stone Steps, or (ii) the Company, its subsidiaries or associated companies).

During the Relevant Period, none of Mr. Liu, any parties acting in concert with him (including Stone Steps), and the Directors has dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company.

9. MATERIAL CONTRACTS

The following material contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) were entered into by members of the Group from 8 April 2019 (being the date falling two years immediately preceding 8 April 2021 (being the date of the Announcement)) up to and including the Latest Practicable Date:

- (i) the placing agreement dated 17 March 2021 entered into between the Company and I Win Securities in relation to the placing of a maximum of 473,257,309 new Shares on a best effort basis at the price of HK\$0.067 per Share to no less than six places who and whose ultimate beneficial owners shall be independent third parties on the terms and conditions of the placing agreement;
- (ii) the Placing Agreement; and
- (iii) the Underwriting Agreement (including the Irrevocable Undertaking).

10. LITIGATION

As at the Latest Practicable Date, no member of the Group was involved in any litigation or claims of material importance and no litigation or claims of material importance were known to the Directors to be pending or threatened against any member of the Group.

11. EXPERTS AND CONSENTS

The qualifications of the experts who have given opinions, letters or advice contained in this circular are set out below:

Name	Qualification
Optima Capital Limited	A corporation licensed to carry out Types 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) regulated activities under the SFO
Halcyon Capital Limited	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Zhonghui Anda CPA Limited	Certified public accountants

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter, advice, report and/or references to its names, in the form and context in which they are respectively included.

As at the Latest Practicable Date, each of the above experts was not beneficially interested in the share capital of any member of the Group or had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for any securities in any member of the Group, nor did it have any interest, either directly or indirectly, in the assets which have been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group, since 31 March 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

12. EXPENSES

The expenses payable by the Company in connection with the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver, including printing, registration, translation, legal, financial advisory, accounting and other professional fees, are estimated to be approximately HK\$4.8 million.

13. DIRECTORS OF THE COMPANY

Name	Address
<i>Executive Directors</i>	
Mr. DING Lei	Room 903, 9/F., Tower A, New Mandarin Plaza, 14 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong
Ms. DENG Ganghui	Room 903, 9/F., Tower A, New Mandarin Plaza, 14 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong
<i>Independent non-executive Directors</i>	
Mr. DENG Yougao	Room 903, 9/F., Tower A, New Mandarin Plaza, 14 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong
Ms. WONG Chi Yan	Room 903, 9/F., Tower A, New Mandarin Plaza, 14 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong
Mr. CHONG Lok Man	Room 903, 9/F., Tower A, New Mandarin Plaza, 14 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong

Executive Directors

Mr. Ding Lei

DING Lei, aged 32, was appointed as an executive Director on 1 April 2018. Mr. Ding was subsequently appointed as the Chairman and the chief executive officer with effect from 20 September 2019. He was also appointed as the Authorised Representative and the Process Agent with effect from 20 September 2019. Mr. Ding was appointed as the chairman of the nomination committee of the Board, and as a member of the remuneration committee of the Board. Mr. Ding has been re-designated from the chief executive officer of the Company to the co-chief executive officer with effect from 11 June 2020, and subsequently redesignated as chief executive officer with effect from 19 July 2021.

Mr. Ding obtained a Master's degree in Finance from The University of Texas at Dallas in December 2015 and a Bachelor's degree in English language and Literature from Luoyang Institute of Technology* (洛陽理工學院) in July 2012.

Mr. Ding was an investment manager in the fixed income department in Sichuan Trust Co., Ltd.* (四川信託有限公司) from January 2016 to September 2017. He was the assistant general manager of mining business department of Bay Area Gold Group. Mr. Ding was the director, general manager of Luanchuan Province Luanling Gold Mines Co., Ltd.* (樂川縣樂靈金礦有限公司). He was also a director of Chifeng Yongfeng Mining Co., Ltd.* (赤峰永豐礦業有限責任公司). He was also a supervisor of Shenzhen Munsun Asset Management Company Limited* (深圳市麥盛資產管理有限公司). He was a general manager of Luanchuan County Jinxing Mining Co., Ltd.* (樂川縣金興礦業有限責任公司) and executive deputy general manager of Shenzhen Baosheng Minging Industrial Co., Ltd.* (深圳保勝礦業控股有限責任公司).

Save that Mr. Ding is the nephew of Mr. Liu, Mr. Ding is not related to any Directors, senior management, substantial shareholder or controlling shareholders of the Company.

Ms. Deng Ganghui

DENG Ganghui, aged 46, was appointed as an executive Director on 8 April 2021. Ms. Deng holds a Master's degree in Management from Hunan University as well as a Bachelor's degree in Accounting from Central South University Railway Campus.

Ms. Deng has extensive experiences in financial management and accounting. She had worked in the finance department at Generali China Life Insurance Co., Ltd. from July 2002 to July 2009. She subsequently served as a manager in the finance department at Guangdong Hengjian Investment Holding Co., Ltd. from February 2010 to September 2010. Ms. Deng was the vice president at Guangzhou Fute Energy Bio-Tech Ltd. from January 2011 to December 2021.

Independent non-executive Directors

Mr. Deng Yougao

DENG Yougao, aged 55, was appointed as an independent non-executive director of the Company on 1 April 2018. He obtained a Master's degree of Economics from 江西財經學院 (Institute of Finance and Economics of Jiangxi*) (which is now known as 江西財經大學 (Jiangxi University of Finance and Economics*)) in July 1994, and a Bachelor's degree in Shipbuilding Engineering from 哈爾濱船舶工程學院 (Harbin Shipbuilding Engineering Institute*) (which is now known as 哈爾濱工程大學 (Harbin Engineering University*)) in July 1988.

Mr. Deng has numerous experiences in different roles in various companies in different industries. He is a chairman of the board and director of Shenzhen Henggu Nano Technology Co. Ltd. (formerly known as Shenzhen Henggu Anticorrosion Nano Technology Co., Ltd.) (深圳恆固納米科技有限公司), a supervisor of Shanghai Xinyi Darongxun Electronic Shares Co., Ltd. (上海市心意答融訊電子股份有限公司, stock code: 836587, which had been listed on the National Equities Exchange and Quotations System until 8 July 2018), the chairman of the board of Shengshi Henggu (Holdings) Co., Ltd. (盛世恆固(控股)有限公司), the managing partner of Shengshi Henggu (Shenzhen) Management Center (Limited Partnership) (盛世恆固(深圳)管理中心(有限合夥)) and the managing partner of Shengshi Henggu (Shenzhen) Management Center (恆固盛世(深圳)管理中心). Mr. Deng is also currently an independent non-executive director of Shoucheng Holdings Limited (formerly known as Shougang Concord International Enterprises Company Limited, stock code: 697), a company listed on the Stock Exchange.

He was appointed as the chairman of the board and the general manager of Shenzhen City Weishi Chengzhang Investment Management Co., Ltd. (深圳市唯實成長投資管理有限公司) until January 2022. He was appointed as a supervisor of Shanghai Tiantan Nano Technology Co., Ltd. (上海天壇納米科技有限公司) in August 2019. He was the supervisor of Shenzhen Qianhai Shi Xin Technology Co., Ltd. (深圳市前海識心科技有限公司) until May 2019.

Ms. Wong Chi Yan

WONG Chi Yan, aged 40, was appointed as an independent non-executive Director on 14 May 2018. She holds a Bachelor's degree of Business Administration in Accounting from Hong Kong Baptist University and a Master's degree of Laws in International Corporate and Financial Law from The University of Wolverhampton, the United Kingdom. She is an associate member of the Hong Kong Institute of Certified Public Accountants, and an associate member of the Hong Kong Chartered Governance Institute of and the Institute of Chartered Secretaries and Administrators. Ms. Wong has extensive experiences in auditing, accounting and financing as well as merger and acquisition.

Ms. Wong is currently an independent non-executive director of Asia Television Holdings Limited (stock code: 707), a company listed on the Main Board of the Stock Exchange, as well as of Quantong Holdings Limited (formerly known as "Pak Wing Group (Holdings) Limited") (stock code: 8316), a company listed on the GEM of the Stock Exchange. Ms. Wong is also the company secretary and authorised representative of China Properties Investment Holdings Limited (stock code: 736), a company listed on the Stock Exchange.

Ms. Wong was an independent non-executive director of (i) Huiyin Holdings Group Limited (former name adopted by the company since October 2017 being Share Economy Group Limited), the shares of which are listed on the Stock Exchange (stock code: 1178), from October 2017 to June 2020; and (ii) Bay Area Gold Group from March 2019 to July 2021. Ms. Wong served as the company secretary of Goldway Education Group Limited, the shares of which are listed on GEM of the Stock Exchange (stock code: 8160), from October 2018 to May 2019. She also served as the company secretary and authorised representative of Flyke International Holdings Ltd., the shares of which are listed on the Stock Exchange (stock code: 1998), from March 2017 to December 2020, which was delisted in January 2021.

Mr. Chong Lok Man

CHONG Lok Man, aged 37, has been appointed as an independent non-executive Director, the member of each of the Audit Committee, Nomination Committee and Remuneration Committee of the Company all with effect from 8 May 2020. Mr. Chong holds a Diploma in China Business Practices and a Higher Diploma in Enterprise Management from the Hong Kong Institute of Vocational Education.

Mr. Chong is currently the vice president of Grand View Securities Limited. He was previously a vice president of the Marketing Department at Emperor Securities Limited and an investment adviser at N&J Education. He has over 15 years of extensive experiences in financial planning and investment management.

14. CORPORATE INFORMATION AND PARTIES TO THE RIGHTS ISSUE

Registered office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Principal office	Room 903, 9/F., Tower A New Mandarin Plaza 14 Science Museum Road TST East, Kowloon, Hong Kong
Principal share registrar and transfer office	MUFG Fund Services (Bermuda) Limited 4th floor, North Cedar House 41 Cedar Avenue Hamilton HM 12 Bermuda
Hong Kong branch share registrar and transfer office	Tricor Secretaries Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Company secretary	Mr. LAU Tsz Kwan
Authorised representatives	Mr. DING Lei Room 903, 9/F., Tower A, New Mandarin Plaza, 14 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong Mr. LAU Tsz Kwan Room 903, 9/F., Tower A, New Mandarin Plaza, 14 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong
Principal bankers	Nanyang Commercial Bank Limited

Auditors and reporting accountants	Zhonghui Anda CPA Limited <i>Certified Public Accountants</i> 23/F., Tower 2 Enterprise Square Five 38 Wang Chiu Road Kowloon Bay Kowloon Hong Kong
Financial adviser to the Company	Optima Capital Limited Suite 1501, 15th Floor Jardine House 1 Connaught Place Central Hong Kong
Legal adviser to the Company as to Hong Kong laws	Michael Li & Co. 901 & 19/F. Prosperity Tower 39 Queen's Road Central Hong Kong
Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders	Halcyon Capital Limited 11th Floor 8 Wyndham Street Central Hong Kong
Placing Agent	I Win Securities Limited Room 1916 Hong Kong Plaza 188 Connaught Road West Hong Kong
Underwriter	Mr. Liu Shiwei Flat C, 7/F, Tower 5, Ontolo, No.7 Fo Yin Road, Tai Po, N.T., Hong Kong

15. GENERAL

- (i) The company secretary of the Company is Mr. LAU Tsz Kwan, who is a member of the Hong Kong Institute of Certified Public Accountants.
- (ii) As at the Latest Practicable Date, to the best knowledge of the Directors, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.

16. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Company (www.successdragonintl.com), the Stock Exchange (www.hkexnews.hk) and the SFC (www.sfc.hk) from the date of this circular for at least 14 days and including the date of the SGM:

- (i) the memorandum of association and bye-laws of the Company;
- (ii) the annual reports of the Company for each of the financial years ended 31 March 2020 and 2021;
- (iii) the interim reports of the Company for each of the six months ended 30 September 2019, 2020 and 2021;
- (iv) the letter from the Board, the text of which is set out on pages 18 to 50 of this circular;
- (v) the letter from the Independent Board Committee the text of which is set out on pages 51 to 52 of this circular;
- (vi) the letter from Halcyon Capital, the text of which is set out on pages 53 to 83 of this circular;
- (vii) the report from Zhonghui Anda CPA Limited on the unaudited pro forma financial information of the Group, the text of which is set out on pages II-3 to II-6 of this circular;
- (viii) the letter from Optima Capital Limited in respect of the Profit Estimate, the text of which is set out in Appendix IV to this circular;
- (ix) the letter from Zhonghui Anda CPA Limited in respect of the Profit Estimate, the text of which is set out in Appendix V to this circular;
- (x) the written consents of the experts as referred to in the section headed “Experts and Consents”;
- (xi) the material contracts referred to in the section headed “Material Contracts”; and
- (xii) this circular.

APPENDIX IV LETTER FROM OPTIMA CAPITAL LIMITED

The following is the text of a letter, prepared for the purpose of compliance of Rule 10 of the Takeovers Code in connection with the announcement of the Company dated 6 April 2022, 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**”).

APPENDIX IV LETTER FROM OPTIMA CAPITAL LIMITED

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

The following is the text of a letter, prepared for the purpose of compliance of Rule 10 of the Takeovers Code in connection with the announcement of the Company dated 6 April 2022, from ZHONGHUI ANDA CPA Limited, Certified Public Accountants, 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, 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

NOTICE OF SGM

Success Dragon International Holdings Limited

勝龍國際控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1182)

NOTICE IS HEREBY GIVEN that the special general meeting (the “**Meeting**” or the “**SGM**”) of Success Dragon International Holdings Limited (the “**Company**”) will be held in a combination of an in-room meeting at Units 5 & 6, 17/F, Convention Plaza Office Tower, 1 Harbour Road, Wan Chai, Hong Kong and a live webcast on Monday, 16 May 2022, at 10:00 a.m. to consider and, if thought fit, pass the following resolutions of the Company. Unless otherwise stated, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the company dated 22 April 2022 (the “**Circular**”):

ORDINARY RESOLUTION

1. “**THAT** subject to the passing of the resolution numbered 2 below and the satisfaction of the conditions of the Rights Issue (as defined below):
 - (a) the Underwriting Agreement dated 15 March 2022 (“**Underwriting Agreement**”) signed between the Company and Mr. Liu Shiwei (“**Underwriter**”) (a copy of the Underwriting Agreement marked “A” has been produced to this Meeting and initialled by the chairman of this Meeting for the purpose of identification), and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
 - (b) the issue by way of rights issue (“**Rights Issue**”) of 209,711,740 new ordinary shares of the Company (“**Rights Shares**” and each a “**Right Share**”), on the basis of three (3) Rights Shares for every two (2) ordinary shares held by the shareholders of the Company (“**Shareholders**”) on Thursday, 26 May 2022 (the “**Record Date**”) (or such other date as may be agreed between the Company and the Underwriter for determining entitlements of Shareholders to participate in the Rights Issue), at a subscription price of HK\$0.34 per Rights Share (“**Subscription Price**”) to Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date (“**Qualifying Shareholders**”), save for overseas Shareholders to whom the directors of the Company (“**Directors**”), based on legal opinions to be provided by the legal advisers to the Company, consider it necessary or expedient not to offer the Rights Shares (“**Non-Qualifying Shareholders**”) on account either of the legal restrictions under the laws of the relevant place(s) of their registered address(es) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in such place(s), and substantially on the terms and conditions set out in the Circular (a copy of the Circular marked “B” has been produced to this Meeting and initialled by the chairman of this Meeting for the purpose of identification) and such other terms and conditions as may be determined by the Directors, be and is hereby approved, confirmed and ratified;

NOTICE OF SGM

- (c) the placing agreement dated 15 March 2022 (“**Placing Agreement**”) entered into between the Company and I Win Securities Limited (“**Placing Agent**”) in relation to the placing of those Rights Shares that are not successfully sold by the Company (“**Unsubscribed Rights Shares**”) and/or the Rights Share(s) which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form (“**NQS Unsold Rights Shares**”) at the placing price of not less than the Subscription Price on a best effort basis (a copy of the Placing Agreement marked “C” has been produced to this Meeting and initialled by the chairman of this Meeting for the purpose of identification), and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (d) the board of Directors (“**Board**”) or a committee thereof be and is hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue in accordance with the terms set out in the Circular;
- (e) the Board or a committee thereof be and is hereby authorised to make such other exclusions or other arrangements in relation to the Non-Qualifying Shareholders as it may deem necessary or expedient having regard to any restrictions or obligations under the bye-laws of the Company or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong, and generally to do such things or make such arrangements as it may think fit to effect the Rights Issue; and
- (f) any one or more Director(s) be and is/are hereby authorised to do all such acts and things, to sign and execute all such further documents or deeds and to take such steps as he/they may in his/their absolute discretion consider necessary, appropriate, desirable or expedient to carry out or to give effect to or in connection with the Rights Issue, the Underwriting Agreement, the Placing Agreement and any transactions contemplated thereunder.”

SPECIAL RESOLUTION

2. “**THAT:**

- (a) subject to the granting of the Whitewash Waiver (as defined below) by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegate(s) and the satisfaction of any conditions attached to the Whitewash Waiver granted, the waiver pursuant to Note 1 of the Notes on dispensations from Rule 26 of the Code of Takeovers and Mergers (“**Takeovers Code**”) waiving any obligation of the Underwriter to make a mandatory general offer to the Shareholders in respect of the shares of the Company not already owned or agreed to be acquired by the Underwriter and parties acting in concert with it which would arise under Rule 26 of the Takeovers Code as a result of the fulfillment of the underwriting obligations by the Underwriter pursuant to the Underwriting Agreement (“**Whitewash Waiver**”) be and is hereby approved; and

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- (b) any one or more Director(s) be and is/are hereby authorised to do all such acts and things, to sign and execute all such further documents or deeds and to take such steps as he/they may in his/their absolute discretion consider necessary, appropriate, desirable or expedient to carry out or to give effect to or in connection with any matters relating to the Whitewash Waiver and the transactions contemplated thereunder.”

On behalf of the Board
DING Lei
*Chairman, Chief Executive Officer and
Executive Director*

Hong Kong, 22 April 2022

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business in Hong Kong:
Room 903, 9/F, Tower A
New Mandarin Plaza
Tsim Sha Tsui East
Kowloon
Hong Kong

Notes:

1. In view of the outbreak of the COVID-19 pandemic and recent requirements for prevention and control of its spread, the Company will implement special arrangements and precautionary measures at the SGM, details of which are set out in the section headed “Special Arrangements and Precautionary Measures for the SGM” on pages 8 to 12 of the Circular.

All registered Shareholders will be able to join the Meeting or any adjourned meeting thereof in person or via live webcast. The live webcast can be accessed from any location with access via a computer, tablet or any browser enabled devices. All non-registered Shareholders may consult directly with their banks, brokers, custodians, nominees or HKSCC Nominees Limited through which their Shares are held (as the case may be) for necessary arrangement to attend and vote at the Meeting or any adjourned meeting thereof if they wish. Shareholders should note that no remote voting system is provided at the live webcast.

2. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint in written form one or, if he is the holder of two or more shares (the “**Shares**”) of the Company, more proxy(ies) to attend and vote instead of him. A proxy need not be a member of the Company.
3. In order to be valid, the instrument appointing a proxy must be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised to sign the same, and must be delivered to the office of the Hong Kong branch share registrar and transfer office of the Company (the “**Hong Kong Share Registrar**”), Tricor Secretaries Limited at Level 54, Hopewell Centre 183 Queen’s Road East, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the Meeting (i.e. by 10:00 a.m. on Saturday, 14 May 2022) or any adjournment thereof.
4. For determining the entitlement of the Shareholders to attend and vote at the Meeting, the register of members of the Company will be closed from Tuesday, 10 May 2022 to Monday, 16 May 2022, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the Meeting, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Hong Kong Share Registrar, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 6 May 2022.

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5. In view of the current COVID-19 situation and the changing government regulations on social distancing measures in Hong Kong, **the Company strongly encourages Shareholders to exercise their right to vote at the Meeting by appointing a proxy, or failing him, the chairman of the Meeting** (who is expected to be an independent non-executive Director) or any independent non-executive Directors as their proxy and to return their forms of proxy by the time specified above, instead of attending the Meeting in person. Shareholders should specifically indicate voting instructions set out in this notice. If no such indication is given, the proxy will vote for or against the resolutions or will abstain as he thinks fit.
6. Completion and return of the form of a proxy shall not preclude a member of the Company from attending and voting at the Meeting or any adjournment thereof.
7. In the case of joint holders of Share, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such Share as if he was solely entitled thereto, but if more than one of such joint holders are present at the meeting in person or by proxy, that one of the said persons so present whose names stands first on the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.
8. If Typhoon Signal No. 8 or above, or a “black” rainstorm warning or “extreme conditions after super typhoons” announced by the Government of Hong Kong is/are in effect any time after 10:00 a.m. on the date of the Meeting, the meeting will be postponed. The Company will publish an announcement on the website of the Company at <http://www.successdragonintl.com> and on the website of the Stock Exchange at <http://www.hkexnews.hk> to notify Shareholders of the date, time and venue of the rescheduled meeting.
9. Subject to the development of COVID-19 pandemic, the Company may implement further changes and precautionary measures and may issue further announcement on such measures as appropriate.
10. In case of discrepancy between the English version and the Chinese version of this notice of the SGM, the English version shall prevail.

As at the date of this notice, 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.