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## THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in doubt as to any aspect of this prospectus 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 the Prospectus Documents 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).

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of each of the Prospectus Documents, together with the written consent referred to in the paragraph headed "Expert and Consent" in Appendix III to this prospectus, have been registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Registrar of Companies in Hong Kong, The Stock Exchange of Hong Kong Limited and the Securities and Futures Commission of Hong Kong take no responsibility for the contents of any of the Prospectus Documents.

Dealings in the Rights Shares in both nil-paid and fully-paid forms may be settled through CCASS and you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Shareholders with registered addresses in any jurisdiction outside Hong Kong or beneficial owners of the Shares who are residents outside Hong Kong should refer to the important information set out in the section headed "Notices" and the paragraph headed "Rights of Overseas Shareholders" under the section headed "Letter from the Board" in this prospectus.

The securities described herein have not been registered under the U.S. Securities Act or the laws of any state in the US and may not be offered or sold within the US, absent registration or an exemption from the registration requirements of the U.S. Securities Act and applicable state laws.

There is no intention to register any portion of the Rights Shares or any securities described in this prospectus in the US or to conduct a public offering of securities in the US. Distribution of the Prospectus Documents (including this prospectus) in jurisdictions other than Hong Kong may be restricted by law. Persons (including, without limitation, Shareholders and beneficial owners of the Shares, agents, custodians, nominees and trustees) in possession of the Prospectus Documents should inform themselves of and observe any such restrictions. This prospectus is not for release, publication or distribution, directly or indirectly, in or into the US. This prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, the nil-paid Rights Shares or fully-paid Rights Shares or to take up any entitlements to the nil-paid Rights Shares or fully-paid Rights Shares in any jurisdiction in which such an offer or solicitation is unlawful. This prospectus has not been lodged or registered with any of the relevant authorities in any jurisdiction other than Hong Kong.

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## Success Dragon International Holdings Limited

勝龍國際控股有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1182)**

### RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY TWO (2) SHARES HELD ON THE RECORD DATE

Financial adviser to Success Dragon International Holdings Limited



Placing agent of the Rights Issue



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Capitalised terms used on this cover page have the same meanings as defined in this prospectus.

**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 prospectus. If the Underwriter terminates the Underwriting Agreement, or the Underwriting Agreement does not become unconditional, the Rights Issue will not proceed.**

It should be noted that the Shares were dealt in on an ex-rights basis from Wednesday, 18 May 2022. Dealings in the Rights Shares in the nil-paid form will take place from Tuesday, 31 May 2022 to Wednesday, 8 June 2022 (both days inclusive). Any person contemplating dealing in the nil-paid Rights Shares during the period from Tuesday, 31 May 2022 to Wednesday, 8 June 2022 (both days inclusive) will accordingly bear the risk that if the Underwriter terminates the Underwriting Agreement, or the Underwriting Agreement does not become unconditional, the Rights Issue will not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its/their own professional advisers.

The latest time for acceptance of and payment for the Rights Shares is 4:00 p.m. on Monday, 13 June 2022. The procedures for acceptance, splitting of provisional allotment and payment and/or transfer of the Rights Shares are set out on pages 18 and 19 of this prospectus.

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## NOTICES

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Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among other things, the fulfilment of the conditions contained in the Underwriting Agreement and the Underwriter 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 prospectus). Accordingly, the Rights Issue may or may not proceed.

The Shares were 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 (both days inclusive). 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 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 in 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 if the Underwriter terminates the Underwriting Agreement, or the Underwriting Agreement does not become unconditional, the Rights Issue will not proceed.

### DISTRIBUTION OF THE PROSPECTUS DOCUMENTS

Distribution of the Prospectus Documents (including this prospectus) in jurisdictions other than Hong Kong may be restricted by law. Persons (including, without limitation, Shareholders and beneficial owners of the Shares, agents, custodians, nominees and trustees) in possession of the Prospectus Documents should inform themselves of and observe any such restrictions. Any failure to comply with those restrictions may constitute a violation of the securities laws of any such jurisdiction. This prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, the nil-paid Rights Shares or fully-paid Rights Shares or to take up any entitlements to the nil-paid Rights Shares or fully-paid Rights Shares in any jurisdiction in which such an offer or solicitation is unlawful. This prospectus has not been lodged or registered with any of the relevant authorities in any jurisdiction other than Hong Kong.

None of the Prospectus Documents will be registered under the securities laws of any jurisdiction other than Hong Kong and none of the Prospectus Documents will qualify for distribution under any of the relevant securities laws of any of the jurisdictions other than Hong Kong (save for any applicable exceptions as agreed by the Company). Accordingly, the Rights Shares in both nil-paid and fully-paid forms may not be offered, sold, pledged, taken up, resold, renounced, transferred or delivered, directly or indirectly, into or within any jurisdictions other than Hong Kong absent registration or qualification under the respective securities laws of such jurisdictions other than Hong Kong, or exemption from the registration or qualification requirement under applicable rules of such jurisdictions.

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## NOTICES

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Shareholders with registered addresses in, and investors who are located or resident in, any of the jurisdictions other than Hong Kong should refer to the paragraph headed “Rights of Overseas Shareholders” under the section headed “Letter from the Board” in this prospectus.

For a description of certain restrictions regarding the taking up of the nil-paid Rights Shares for, and the offering and sale of, the Rights Shares in jurisdictions other than Hong Kong, please see the notices below.

### **NOTICE TO INVESTORS IN THE PRC**

If a Shareholder resident in the PRC and/or any other PRC resident (including both individuals and companies) wishes to take up the nil-paid Rights Shares or the fully-paid Rights Shares, he/she/it shall be responsible for complying with the relevant laws of the PRC. The Company will not be responsible for verifying the PRC legal qualification of such Shareholder and/or resident and thus, should the Company suffer any losses or damages due to non-compliance with the relevant laws of the PRC by any such Shareholder and/or resident, the Shareholder and/or resident shall be responsible to compensate the Company for the same. The Company shall not be obliged to issue the nil-paid Rights Shares or the fully-paid Rights Shares to any such Shareholder and/or resident, if issuing the nil-paid Rights or the fully-paid Rights Shares to them does not comply with the relevant laws of the PRC.

### **NOTICE TO INVESTORS IN SINGAPORE**

The offer of the Rights Shares in both their nil-paid and fully-paid forms by the Company is made only to and directed at, and the aforesaid Rights Shares are only available to, persons in Singapore who are existing members of the Company.

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Rights Shares in both their nil-paid and fully-paid forms may not be circulated or distributed, nor may Rights Shares in both their nil-paid and fully-paid forms be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than: (i) existing members of the Company pursuant to Section 273(1)(cd)(i) of the Securities and Futures Act 2001 (“SFA”); and (ii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

### **NOTICE TO INVESTORS IN THE BVI**

Based on the advice provided by the Company’s legal advisers on the laws of the BVI, there are no restrictions under securities law or other similar laws in the BVI which would prevent the Company from including the Shareholder(s) with registered address(es) in the BVI in the Rights Issue. It would be lawful for the Company to offer the Rights Shares to its Shareholder with a registered address in the BVI, if the Rights Issue is made and/or the Prospectus Documents are sent to such Shareholder solely by reason that it is an existing Shareholder.

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## NOTICES

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### NOTICE TO INVESTORS IN THE US

The Prospectus Documents may not be circulated, distributed, forwarded, delivered or redistributed, electronically or otherwise, to persons within the US, and may not be relied upon as a basis for any investment decision or for any other purpose by any person within the US. The Prospectus Documents do not constitute or form a part of any offer or invitation or solicitation to purchase or subscribe for securities in the US.

The nil-paid Rights Shares and fully-paid Rights Shares have not been and will not be registered under the U.S. Securities Act or under any securities laws of any state or other jurisdiction of the US and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the US except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with applicable laws. The nil-paid Rights Shares and fully-paid Rights Shares and the Prospectus Documents have not been approved or disapproved by the U.S. Securities and Exchange Commission, any securities commission of any state in the US or any US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the nil-paid Rights Shares or fully-paid Rights Shares, the Prospectus Documents or the accuracy or adequacy of this prospectus or any of the other Prospectus Documents. Any representation to the contrary is a criminal offence in the US. There will be no public offer of these nil-paid Rights Shares or fully-paid Rights Shares in the US. The Rights Shares are only being offered outside the US in reliance on Regulation S under the U.S. Securities Act. Each purchaser or subscriber of the Rights Shares being offered and sold outside the US will be deemed to have represented and agreed, among other things, that the purchaser or subscriber is acquiring the Rights Shares in an offshore transaction meeting the requirements of Regulation S under the U.S. Securities Act.

### FORWARD-LOOKING STATEMENTS

All statements in this prospectus other than statements of historical fact are forward-looking statements. In some cases, forward-looking statements may be identified by the use of words such as “might”, “may”, “could”, “would”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “plan”, “seek”, “continue”, “illustration”, “projection” or similar expressions and the negative thereof. Forward-looking statements in this prospectus include, without limitation, statements in respect of the Group’s business strategies, product offerings, market position, competition, financial prospects, performance, liquidity and capital resources, as well as statements regarding trends in the relevant industries and markets in which the Group operates, technological advances, financial and economic developments, legal and regulatory changes and their interpretation and enforcement.

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## NOTICES

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The forward-looking statements in this prospectus are based on management's present expectations about future events. Management's present expectations reflect many assumptions regarding the Group's strategy, operations, industry, developments in the credit and other financial markets and trading environment. By their nature, they are subject to known and unknown risks and uncertainties, which could cause actual results and future events to differ materially from those implied or expressed by forward-looking statements. Should one or more of these risks or uncertainties materialise, or should any assumptions underlying forward-looking statements prove to be incorrect, the Group's actual results could differ materially from those expressed or implied by forward-looking statements. Additional risks not known to the Group or that the Group does not currently consider material could also cause the events and trends discussed in this prospectus not to occur, and the estimates, illustrations and projections of financial performance not to be realised.

Prospective investors are cautioned that forward-looking statements speak only as at the date of publication of this prospectus. Except as required by applicable law, the Group does not undertake, and expressly disclaims, any duty to revise any forward-looking statement in this prospectus, be it as a result of new information, future events or otherwise.

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## DEFINITIONS

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*In this prospectus, 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”	the chairman of the Board
“Circular”	the circular of the Company dated 22 April 2022 in relation to, among other things, the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Whitewash Waiver and the notice of the SGM
“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

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## DEFINITIONS

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“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
“Group”	the Company and its subsidiaries
“Henan Xingluan”	河南興鸞環保科技有限責任公司 <sup>#</sup> (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 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
“Interim Profit”	the profit attributable to owners of the Company recorded by the Group during the Interim Period



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## DEFINITIONS

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“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 prospectus
“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”	24 May 2022, being latest practicable date prior to the publication of this prospectus
“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
“Net Gain”	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

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## DEFINITIONS

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“No Action Shareholder(s)”	those Qualifying Shareholder(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 Shareholder(s) in nil-paid form
“Overseas Letter”	a letter from the Company to the Non-Qualifying Shareholders explaining the circumstances in which the Non-Qualifying Shareholders are not permitted to participate in the Rights Issue
“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 in writing

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## DEFINITIONS

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“PRC” or “China”	the People’s Republic of China, which for the purpose of this prospectus, excludes Hong Kong, Macau and Taiwan
“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
“Profit Warning Announcement”	the profit warning announcement of the Company dated 6 April 2022
“Prospectus Documents”	this prospectus and the PAL
“Prospectus Posting Date”	Friday, 27 May 2022, being the date of despatch of the Prospectus Documents and the Overseas Letter to the Qualifying Shareholders or 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, 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
“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 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
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

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## DEFINITIONS

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“SGM”	the special general meeting of the Company convened and held on 16 May 2022 at which, among other things, the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Whitewash Waiver and the transactions contemplated thereunder, were approved by the Independent Shareholders
“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 prospectus
“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 of America

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## DEFINITIONS

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“Whitewash Waiver”	a waiver conditionally granted by the Executive on 12 May 2022 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.

*English translations of the Chinese names in this prospectus, where indicated with “\*”, 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 prospectus between the Chinese and English versions, the English version shall prevail.*

*Unless otherwise specified in this prospectus, translation of RMB to HK\$ are made in this prospectus for illustration only, at the rate of RMB1 to HK\$1.22. No representation is made that any amounts in RMB could have been or could be converted at that rate or at any other rates.*

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## EXPECTED TIMETABLE

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Set out below is the expected timetable for the Rights Issue. All times and dates stated in this prospectus 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.

<b>Event</b>	<b>Time and date</b>
Date 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
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 the 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

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## EXPECTED TIMETABLE

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Event	Time and date
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

### **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.

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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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



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## TERMINATION OF THE UNDERWRITING AGREEMENT

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6. in the reasonable opinion of the Underwriter, 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 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. Further announcement will be made by the Company if the Underwriter terminates the Underwriting Agreement.**

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## LETTER FROM THE BOARD

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### Success Dragon International Holdings Limited

### 勝龍國際控股有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1182)**

*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

27 May 2022

*To the Qualifying Shareholders and, for information only, the Non-Qualifying Shareholders*

Dear Sir or Madam,

### **RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY TWO (2) SHARES HELD ON THE RECORD DATE**

#### **INTRODUCTION**

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

On 22 April 2022, the Company proposed, among other things, to raise approximately HK\$71.3 million before expenses by issuing 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 on the Record Date at the Subscription Price of HK\$0.34 per Rights Share. The Rights Issue is subject to the fulfilment of certain conditions as set out in the paragraph headed “Conditions of the Rights Issue” in the section headed “The Underwriting Agreement” in this letter.

Pursuant to the Underwriting Agreement, the Untaken Rights Shares will be fully underwritten by the Underwriter on the terms and subject to the conditions set out therein.

At the SGM convened and held on 16 May 2021, the necessary resolutions for approving, among other things, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver were duly passed by the Independent Shareholders.

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## LETTER FROM THE BOARD

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The purpose of this prospectus is to provide you with further details of the Rights Issue, including (i) information on dealings in, transfer and acceptance of the Rights Shares; and (ii) financial and other information in respect of the Group.

### THE RIGHTS ISSUE

#### Rights Issue Statistics

Details of the Rights Issue are set out as follows:

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 costs 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 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 to be allotted and issued pursuant to the terms of the Rights Issue represent approximately (i) 150.0% of the total number of issued Shares; and (ii) 60.0% of the total number of issued Shares as enlarged immediately upon completion of the Rights Issue.

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## LETTER FROM THE BOARD

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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 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 4.23% to the closing price of HK\$0.355 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 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 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

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## LETTER FROM THE BOARD

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for and benefits of the Rights Issue and the use of proceeds” in this letter, the Directors consider 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.

The Qualifying Shareholders who take up their pro-rata entitlement in full will not experience any dilution to their interests in the Company. If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.

### **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.

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 cashier’s order for the sum payable for the Rights Shares being applied for with the Registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong on or before the Latest Time for Acceptance.

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## LETTER FROM THE BOARD

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### Rights of Overseas Shareholders

The Prospectus Documents are not intended to 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 nine Overseas Shareholders with registered addresses situated in the PRC, Singapore, the BVI and the US with details as follows:

<b>Jurisdictions of the registered address of the Overseas Shareholder(s)</b>	<b>Number of Overseas Shareholder</b>	<b>Number of Shares held</b>
The PRC	4	15,762,020
Singapore	2	1,676,000
The BVI	2	1,555
The US	1	23
	<hr/>	<hr/>
Total	9	17,439,598
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The total shareholding of the Overseas Shareholders represents approximately 12.47% of total issued Shares as at the Latest Practicable Date.

Having made reasonable enquiries of the legal requirements regarding the feasibility of extending the Rights Issue to the Overseas Shareholders with registered addresses (as shown in the register of members of the Company) in the jurisdictions set out above in compliance with Rule 13.36(2)(a) of the Listing Rules and taken into account 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, the Directors are of the view that the relevant overseas legal restrictions and requirements of the relevant regulatory body or 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, and 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 has sent this prospectus and the Overseas Letter explaining the circumstances in which the Non-Qualifying Shareholders are not permitted to participate in the Rights Issue to the Non-Qualifying Shareholders for information only and did not send any PAL to him/her/it.

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## LETTER FROM THE BOARD

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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.

The Rights Issue does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, the nil-paid Rights Shares or fully-paid Rights Shares or to take up any entitlements to the nil-paid Rights Shares or fully-paid Rights Shares in any jurisdiction in which such an offer or solicitation is unlawful. It is the responsibility of any person (including but without limitation to nominee, custodian, agent and trustee) receiving a copy of the Prospectus Documents outside Hong Kong and wishing to take up the Rights Shares to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant territory or jurisdiction, including the obtaining of any governmental or other consents and/or observing any other formalities which may be required in such territory or jurisdiction, and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction in connection therewith. Any acceptance by any person will be deemed to constitute a representation and warranty from such person to the Company that these local laws and requirements have been complied with. If you are in any doubt as to your position, you should consult your professional adviser. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited is subject to any of the representations and warranties.

### **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.

For the nil-paid Rights Shares that are sold in the market by the Company as described above, if the buyer(s) of such nil-paid Rights Shares does/do not take up the entitlement, such Unsubscribed Rights Shares will be subject to the Compensatory Arrangements.

**The Company reserves the right to permit any Overseas Shareholder to take up Rights Shares if the Board, based on the legal advice from the legal advisers to the Company, is satisfied that the extending of the Rights Issue to such Overseas Shareholder is exempted from or not subject to the laws and regulations in the relevant place of his/her/its registered address which would otherwise give rise to restrictions in that place upon the offer or take-up of the Rights Shares and 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.**

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## LETTER FROM THE BOARD

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### **Procedures for acceptance, splitting of provisional allotment and payment and/or transfer of the Rights Shares**

Qualifying Shareholders will find enclosed with this prospectus a PAL which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of Rights Shares shown therein. If the Qualifying Shareholders wish to accept all the Rights Shares provisionally allotted to them as specified in the PALs, they must lodge the PALs in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:00 p.m. on Monday, 13 June 2022. All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by cashier's orders which must be issued by, a licensed bank in Hong Kong and made payable to **Tricor Investor Services Limited – A/C No. 041** and crossed "**Account Payee Only**".

It should be noted that unless the duly completed PAL, together with the appropriate remittance, has been lodged with the Registrar by no later than 4:00 p.m. on Monday, 13 June 2022, whether by the original allottee or any person in whose favour the provisional allotment has been validly transferred, that provisional allotment and all rights and entitlement thereunder will be deemed to have been declined and will be cancelled. The Company may, at its sole discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions. The Company may require the relevant person(s) to complete the incomplete PAL at a later stage.

If the Qualifying Shareholders wish to accept only part of the provisional allotment or transfer part of their rights to subscribe for the Rights Shares provisionally allotted to them under the PAL or transfer part/all of their rights to more than one person, the original PAL must be surrendered for cancellation by no later than 4:30 p.m. on Thursday, 2 June 2022 to the Registrar, who will cancel the original PAL and issue new PALs in the denominations required. The new PALs will be available for collection from the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, after 9:00 a.m. on the second Business Day after the surrender of the original PAL. It should be noted that Hong Kong ad valorem stamp duty is payable in connection with the transfer of the rights to subscribe for the relevant Rights Shares to the transferee(s) and the acceptance by the transferee(s) of such rights.

The Company reserves the right to refuse to register any transfer in favour of any person in respect of which the Company believes such transfer may violate applicable legal or regulatory requirements.

The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders. All cheques or cashier's orders accompanying completed PALs will be presented for payment immediately following receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the PAL with a cheque or a cashier's order will constitute a warranty by such person that the cheque or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which



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## LETTER FROM THE BOARD

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the cheque or cashier's order is dishonoured on first presentation, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled. No receipt will be given in respect of any application monies received.

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

Subject to fulfilment of the conditions of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be sent on 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 Underwriting Agreement is terminated or not becoming unconditional, the remittance received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in the nil-paid form have been validly transferred or, in the case of joint acceptances, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders or such other persons to their registered addresses by the Registrar on Monday, 27 June 2022.

### **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.

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## LETTER FROM THE BOARD

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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, 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 to 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 has applied 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.

### **Taxation**

Qualifying Shareholders are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for the Rights Shares, or about purchasing, holding or disposals of, or dealings in or exercising any rights in relation to the Shares or the Rights Shares, and similarly, the Non-Qualifying Shareholder as regards his/her/its receipt of the net proceeds of sale of the Rights Shares otherwise falling to be issued to him/her/it under the Rights Issue under the laws of jurisdictions in which he/she/it is liable to taxation. It is emphasised

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## LETTER FROM THE BOARD

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that none of the Company, the Directors nor any other parties involved in the Rights Issue accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding, disposal of, dealings in or exercising any rights in relation to the Shares or the Rights Shares.

### **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.

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 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 Shareholder(s) as follows:

- (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.

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## LETTER FROM THE BOARD

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### 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.
- 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 the 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 Rights Shares by not later than 14 June 2022 (or such later date as may be agreed in writing between the Placing Agent and the Company).

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## LETTER FROM THE BOARD

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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.

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.

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.

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## LETTER FROM THE BOARD

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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 prior to the date of the Underwriting Agreement. 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 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;
- (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;

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## LETTER FROM THE BOARD

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- (iv) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of this prospectus and the Overseas Letter, 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
  - (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

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## LETTER FROM THE BOARD

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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.

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. Further announcement will be made by the Company if the Underwriter terminates the Underwriting Agreement.**



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## LETTER FROM THE BOARD

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### 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.

### 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.

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## LETTER FROM THE BOARD

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As set out in the Profit Warning Announcement, 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 Profit Warning Announcement 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.

### **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

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## LETTER FROM THE BOARD

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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.

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

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## LETTER FROM THE BOARD

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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 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 “ <b>Parties</b> ”).   |
| Conditions | : | The Framework Agreement is, among others, conditional upon the satisfaction or waiver, as the case may be, of the following conditions: <ul style="list-style-type: none"><li>(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;</li><li>(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;</li><li>(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;</li></ul> |

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## LETTER FROM THE BOARD

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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 for (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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## LETTER FROM THE BOARD

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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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## LETTER FROM THE BOARD

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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 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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## LETTER FROM THE BOARD

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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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## LETTER FROM THE BOARD

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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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## LETTER FROM THE BOARD

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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 prospectus. Save as disclosed in this prospectus, 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 prospectus, 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 prospectus, Jinxing Mining does not have any other relationship with the Company and its connected persons. As at the date of this prospectus, Jinxing Mining is not a Shareholder.

### ***Potential customers***

As at the date of this prospectus, 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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## LETTER FROM THE BOARD

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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, which were completed on 12 April 2022. The aggregate expense required was approximately RMB0.4 million;
  - (b) Preliminary design and review of the New Plant was commenced in late-April 2022 and expected to complete by end of June 2022. The aggregate expense required is expected to be approximately RMB2.7 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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## LETTER FROM THE BOARD

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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 RMB133.8 million (equivalent to approximately HK\$163.2 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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## LETTER FROM THE BOARD

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- (d) approximately RMB70.3 million (equivalent to approximately HK\$85.8 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 RMB15.8 million (equivalent to approximately HK\$19.3 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 prospectus.

### 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 Rights 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 and continue to manage the daily operation of the Group in the event that Mr. Liu becomes the controlling shareholder of the Company. 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%
<b>Mr. Liu and parties acting in concert or presumed acting in concert with him</b>	<b>38,268,694</b>	<b>27.4%</b>	<b>95,671,735</b>	<b>27.4%</b>	<b>95,671,735</b>	<b>27.4%</b>	<b>247,980,434</b>	<b>70.9%</b>
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%
<b>Total</b>	<b>139,807,827</b>	<b>100.0%</b>	<b>349,519,567</b>	<b>100.0%</b>	<b>349,519,567</b>	<b>100.0%</b>	<b>349,519,567</b>	<b>100.0%</b>

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## LETTER FROM THE BOARD

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*Notes:*

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

### ADDITIONAL INFORMATION

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

### 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 Underwriter 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 prospectus). Accordingly, the Rights Issue may or may not proceed.

The Shares were 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 (both days inclusive). 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 in 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 if the Underwriter terminates the Underwriting Agreement, or the Underwriting Agreement does not become unconditional, the Rights Issue will 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*

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## APPENDIX I FINANCIAL INFORMATION OF THE GROUP

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### 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](http://www.hkexnews.hk)) and the website of the Company ([www.successdragonintl.com](http://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](http://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](http://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](http://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](http://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)
<b>Profit/(loss) from operations</b>	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)	–
<b>Profit/(loss) before tax</b>	7,110	(6,103)	(9,936)	(11,855)	(38,898)
Income tax expense	(2,674)	–	(608)	–	–
<b>Profit/(loss) for the period</b>	4,436	(6,103)	(10,544)	(11,855)	(38,898)
<b>Other comprehensive income:</b>					
<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	–	–	–	–
<b>Total other comprehensive income/(loss) for the period, net of tax</b>	284	21	59	180	(53,183)
<b>Total comprehensive income/(loss) for the period</b>	4,720	(6,082)	(10,485)	(11,675)	(92,081)
<b>Earnings/(loss) per Share (HK cents per Share)</b>		(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 31 March 2022, being the latest practicable date for the purpose of determining the indebtedness of the Group prior to the printing of this prospectus, the Group had outstanding other unsecured loans and lease liabilities of approximately HK\$19,180,000 and HK\$527,000 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 31 March 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 31 March 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 prospectus.

**4. MATERIAL ADVERSE CHANGE**

Save as disclosed in the Profit Warning Announcement and the Circular, the Directors confirmed that there has been no material adverse 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.

**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 prospectus.

As disclosed in the Profit Warning Announcement, 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.

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**APPENDIX I                      FINANCIAL INFORMATION OF THE GROUP**

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As the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Whitewash Waiver and the transactions contemplated thereunder have been 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 prospectus. With the New Plant in operation 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:

<b>Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2021</b>	<b>Estimated net proceeds from the Rights Issue</b>	<b>Unaudited pro forma adjusted consolidated net tangible assets of the Group as at 30 September 2021</b>
<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:*

1. 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.
2. 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.
3. 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.
4. 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 prospectus, 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**



27 May 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 prospectus issued by the Company (the “**Prospectus**”). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Appendix II of the Prospectus.

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 Prospectus 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 27 to 39 of the Prospectus.

**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 prospectus, 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 prospectus (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 prospectus misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this prospectus (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 prospectus (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 prospectus, the omission of which would make any statement in this prospectus misleading.

Mr. Liu accepts full responsibility for the accuracy of the information contained in this prospectus (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 prospectus (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 prospectus, the omission of which would make any statement in this prospectus 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 the 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 has applied 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. 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.

**(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***

<b>Name</b>	<b>Capacity</b>	<b>Number of Shares</b>	<b>Shareholding (%) (Note 1)</b>
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.

2. 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.
3. 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.

#### **4. DIRECTORS' SERVICES CONTRACTS**

As at the Latest Practicable Date, 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).

#### **5. 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.

**6. 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, 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, the Whitewash Waiver and/or the transactions contemplated thereunder. He has voluntarily abstained from voting at the meeting of the Board convened to consider such matters.

**7. 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 placees 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).

**8. 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.

**9. EXPERT AND CONSENT**

The qualification of the expert who has given opinion(s), letter(s) or advice contained in this prospectus are set out below:

<b>Name</b>	<b>Qualification</b>
Zhonghui Anda CPA Limited	Certified public accountants

The above expert has given and has not withdrawn its written consent to the issue of this prospectus 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, the above expert 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.

**10. 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.



## 11. 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 31, 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 GET Holdings Limited (stock code: 8100), a company listed on the GEM of the Stock Exchange, 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 36, 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.

## 12. CORPORATE INFORMATION AND PARTIES TO THE RIGHTS ISSUE

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

<b>Auditors and reporting accountants</b>	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
<b>Financial adviser to the Company</b>	Optima Capital Limited Suite 1501, 15th Floor Jardine House 1 Connaught Place Central Hong Kong
<b>Legal adviser to the Company as to Hong Kong laws</b>	Michael Li & Co. 901 & 19/F. Prosperity Tower 39 Queen's Road Central Hong Kong
<b>Placing agent</b>	I Win Securities Limited Room 1916 Hong Kong Plaza 188 Connaught Road West Hong Kong
<b>Underwriter</b>	Mr. Liu Shiwei Flat C, 7/F, Tower 5, Ontolo, No.7 Fo Yin Road, Tai Po, N.T., Hong Kong

**13. GENERAL**

- (i) The company secretary of the Company is Ms. LAM Mei Wai Michelle, who is a Chartered Secretary, a Chartered Governance Professional and an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.
- (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.

**14. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of the Company ([www.successdragonintl.com](http://www.successdragonintl.com)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) from the date of this prospectus for at least 14 days:

- (i) 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 prospectus;
- (ii) the written consent of the expert as referred to in the section headed “Expert and Consent”;
- (iii) the material contracts referred to in the section headed “Material Contracts”;
- (iv) the Circular; and
- (v) the Prospectus Documents.

**15. BINDING EFFECT**

The Prospectus Documents, and all acceptances of any offer or application contained in such documents, are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions, other than the penal provisions, of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), so far as applicable.

**16. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

A copy of each of the Prospectus Documents together with the written consent as referred to in the paragraph headed “Expert and Consent” in this appendix, have been registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).