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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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2022

The audited consolidated results of Success Dragon International Holdings Limited (“Company”) and its subsidiaries (collectively referred to as the “Group”) for the financial year ended 31 March 2022 together with the comparative figures for the preceding financial year are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	4	182,032	175,196
Cost of sales		(146,342)	<u>(155,334)</u>
Gross profit		35,690	19,862
Other gain or loss, net	4	3,078	1,497
Selling and distribution costs		(1,515)	(2,119)
Administrative and other operating expenses		(28,332)	<u>(25,960)</u>
Profit/(loss) from operations		8,921	(6,720)
Finance costs	5	(2,512)	(2,472)
Share of losses of an associate		(192)	<u>(744)</u>
Profit/(loss) before tax		6,217	(9,936)
Income tax expense	6	(4,185)	<u>(608)</u>
Profit/(loss) for the year	7	2,032	<u>(10,544)</u>

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		242	59
Exchange differences reclassified to profit or loss upon disposal of subsidiaries		<u>260</u>	<u>—</u>
Total other comprehensive income for the year, net of tax		<u>502</u>	<u>59</u>
Total comprehensive income/(loss) for the year		<u>2,534</u>	<u>(10,485)</u>
Earnings/(loss) per share (HK cents per share)	9		
Basic and diluted earnings/(loss) per share		<u>1.45</u>	<u>(8.91)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Property, plant and equipment		7,638	4,281
Right-of-use assets		477	1,181
Investment in an associate		3,761	3,953
Goodwill		409	433
		<u>12,285</u>	<u>9,848</u>
Current assets			
Inventories		19,376	7,753
Trade receivables	<i>10</i>	6,408	2,828
Loan receivables	<i>11</i>	34,234	46,373
Other receivables, deposits and prepayments	<i>12</i>	37,819	5,215
Bank and cash balances		31,794	32,304
		<u>129,631</u>	<u>94,473</u>
Current liabilities			
Trade payables	<i>13</i>	13,758	7,762
Other payables and accruals		8,735	16,716
Contract liabilities		41,787	—
Lease liabilities		527	696
Amount due to a director		3,502	3,506
Other loans		16,475	24,642
Tax payable		4,547	633
		<u>89,331</u>	<u>53,955</u>
Net current assets		<u>40,300</u>	<u>40,518</u>
Total assets less current liabilities		<u>52,585</u>	<u>50,366</u>
Non-current liabilities			
Lease liabilities		—	527
Other loan		2,705	2,493
		<u>2,705</u>	<u>3,020</u>
NET ASSETS		<u>49,880</u>	<u>47,346</u>
Capital and reserves			
Share capital	<i>14</i>	1,398	27,962
Reserves		48,482	19,384
TOTAL EQUITY		<u>49,880</u>	<u>47,346</u>

Notes:

1. GENERAL INFORMATION

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

The principal activity of the Company is investment holding and the principal activities of the Group are provision of outsourced business process management for electronic gaming machines in Macau, provision of money lending services in Hong Kong and gold-laden carbon processing and trading business in the People’s Republic of China (the “PRC”).

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2021. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current year and prior years.

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

3. SEGMENT INFORMATION

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

Outsourced business process management	– Provision of services on management of electronic gaming equipment in Macau
Money lending services	– Provision of money lending services in Hong Kong
Gold-laden carbon processing and trading business	– Provision of gold-laden carbon processing and the sale of gold and other precious metals in the PRC

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

Information regarding the above segment is reported below.

(a) Segment revenue and results

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

	For the year ended 31 March							
	Outsourced business process management		Money lending services		Gold-laden carbon processing and trading business		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE:								
Revenue from external customers	<u>31,538</u>	<u>33,601</u>	<u>6,387</u>	<u>6,469</u>	<u>144,107</u>	<u>135,126</u>	<u>182,032</u>	<u>175,196</u>
RESULTS:								
Segment profit/(loss)	<u>(5,577)</u>	<u>(9,368)</u>	<u>3,486</u>	<u>3,376</u>	<u>10,610</u>	<u>2,429</u>	<u>8,519</u>	<u>(3,563)</u>
Interest income							39	7
Unallocated income							3,039	1,490
Unallocated corporate expenses							(2,676)	(4,654)
Share of losses of an associate							(192)	(744)
Finance costs							<u>(2,512)</u>	<u>(2,472)</u>
Profit/(loss) before tax							<u>6,217</u>	<u>(9,936)</u>

There are no sales between the reportable segments for both year ended 31 March 2022 and 2021.

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

(b) Segment assets and liabilities

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Segment assets		
Outsourced business process management	4,595	4,421
Money lending services	36,985	49,061
Gold-laden carbon processing and trading business	<u>61,963</u>	<u>11,803</u>
Total segment assets	103,543	65,285
Bank and cash balances	31,794	32,304
Investment in an associate	3,761	3,953
Other unallocated assets	<u>2,818</u>	<u>2,779</u>
Total assets	<u>141,916</u>	<u>104,321</u>
Segment liabilities		
Outsourced business process management	5,938	9,385
Money lending services	983	1,235
Gold-laden carbon processing and trading business	<u>60,760</u>	<u>8,500</u>
Total segment liabilities	67,681	19,120
Other loans	19,180	27,135
Other unallocated liabilities	<u>5,175</u>	<u>10,720</u>
Total liabilities	<u>92,036</u>	<u>56,975</u>

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

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

(c) Geographical information

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

Revenue by geographical market

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	6,387	6,469
Macau	31,538	33,601
The PRC	144,107	135,126
	182,032	175,196

In presenting the geographical information, revenue is based on the locations of the customers.

Information about revenue from the Group's customer individually contributing over 10% of total revenue of the Group is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A – Gold-laden carbon processing and trading business segment	30,426	97,903
Customer B – Gold-laden carbon processing and trading business segment	100,836	37,223

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	4,979	5,601
Macau	668	971
The PRC	6,638	3,276
	12,285	9,848

(d) **Other segment information**

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

	For the year ended 31 March									
	Outsourced business process management		Money lending services		Gold-laden carbon processing and trading business		Unallocated		Consolidated total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Addition to property, plant and equipment	281	-	-	-	4,322	2,193	-	-	4,603	2,193
Depreciation of property, plant and equipment	999	850	-	-	367	101	27	437	1,393	1,388

4. **REVENUE AND OTHER GAIN OR LOSS, NET**

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

An analysis of the Group's revenue and other income for the years are as follows:

	2022	2021
	HK\$'000	HK\$'000
Revenue from contracts with customers		
Provision of services on management of electronic gaming equipment in Macau	31,538	33,601
Provision of gold-laden carbon processing and trading business	144,107	135,126
	<u>175,645</u>	<u>168,727</u>
Revenue from other source:		
Provision of money lending services in Hong Kong	6,387	6,469
	<u>182,032</u>	<u>175,196</u>

Disaggregation of revenue from contracts with customers:

	Outsourced business process management <i>HK\$ '000</i>	Gold-laden carbon processing and trading business <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
Year ended 31 March 2022:			
Time of revenue recognition			
– At a point of time	–	144,107	144,107
– Overtime	31,538	–	31,538
	<u>31,538</u>	<u>–</u>	<u>31,538</u>
	<u><u>31,538</u></u>	<u><u>144,107</u></u>	<u><u>175,645</u></u>
Year ended 31 March 2021:			
Time of revenue recognition			
– At a point of time	–	135,126	135,126
– Overtime	33,601	–	33,601
	<u>33,601</u>	<u>–</u>	<u>33,601</u>
	<u><u>33,601</u></u>	<u><u>135,126</u></u>	<u><u>168,727</u></u>

Provision of services on management of electronic gaming equipment in Macau

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

Provision of gold-laden carbon processing and trading business

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

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

	2022	2021
	HK\$'000	HK\$'000
Other gain or loss, net:		
Gain on disposal of subsidiaries	126	–
Waiver gain of other payables (<i>Note</i>)	2,715	–
Interest income on bank deposits	39	7
Government grant	–	89
Gain on termination of lease	–	8
Loss on termination of other loan	–	(74)
Sundry income	198	1,467
	<u>3,078</u>	<u>1,497</u>

Note:

Waiver gain of other payables represents the waiver of the payables in relation to professional fee and accrued directors' remuneration of approximately HK\$972,000 and HK\$1,743,000 during the year ended 31 March 2022 in form of written confirmation of the waiver from relevant professional party and directors, respectively.

5. FINANCE COSTS

	2022	2021
	HK\$'000	HK\$'000
Leases interests	89	44
Interest on other loans	2,423	2,378
Imputed interest on other loans	–	50
	<u>2,512</u>	<u>2,472</u>

6. INCOME TAX EXPENSES

	2022	2021
	HK\$'000	HK\$'000
Current tax – The PRC		
Provision for the year	4,185	608
	<u>4,185</u>	<u>608</u>

No provision for Hong Kong profits tax is required since the Group has no assessable profit for the year ended 31 March 2022 and 2021.

Macau Complementary Tax is calculated at a progressive rate from 9% to 12% on the estimated assessable profit for the years ended 31 March 2022 and 2021. No provision for Macau Complementary Tax is required as the Company's subsidiary in Macau incurred tax losses for the years ended 31 March 2022 and 2021.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of subsidiaries of the Company in the PRC was 25% in both years.

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

7. PROFIT/(LOSS) FOR THE YEAR

The Group’s profit/(loss) for the year is stated after charging:

	2022	2021
	HK\$’000	HK\$’000
Depreciation of property, plant and equipment	1,393	1,388
Depreciation of right-of-use assets	704	287
Cost of inventories sold (included in “cost of sales”)	123,423	131,144
Auditor’s remuneration	980	980
Staff costs (including Directors’ remuneration):		
Salaries, allowances and other benefits in kind	12,205	10,671
Pension scheme contributions	604	251
Total staff costs	12,809	10,922

Cost of inventories sold includes raw materials, staff costs and depreciation of approximately HK\$123,423,000 (2021: HK\$131,144,000) which are included in the amounts disclosed separately above.

8. DIVIDEND

The Directors do not recommend the payment of any dividend for each of the years ended 31 March 2022 and 2021.

9. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share attributable to owners of the Company is based on the profit of approximately HK\$2,032,000 (2021: loss of approximately HK\$10,544,000) for the year attributable to owners of the Company and the weighted average number of approximately 139,808,000 (2021: 118,373,000) ordinary shares in issue during the year. The weighted average number of shares in issue has taken into account the share consolidation completed in June 2021 (Note 14).

(b) Diluted earnings/(loss) per share

No diluted earnings per share are presented as the company did not have any dilutive potential ordinary sharing during the year ended 31 March 2022.

No diluted loss per share is presented for the year ended 31 March 2021 as the exercise of the Company’s outstanding share options would be anti-dilutive.

10. TRADE RECEIVABLES

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

	2022 HK\$'000	2021 <i>HK\$'000</i>
Trade receivables	6,408	2,828

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

	2022 HK\$'000	2021 <i>HK\$'000</i>
Within 90 days	6,408	2,828

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

	Current	Total
At 31 March 2022		
Weighted average expected loss rate	0%	0%
Receivable amount (<i>HK\$'000</i>)	6,408	6,408
Loss allowance (<i>HK\$'000</i>)	—	—
At 31 March 2021		
Weighted average expected loss rate	0%	0%
Receivable amount (<i>HK\$'000</i>)	2,828	2,828
Loss allowance (<i>HK\$'000</i>)	—	—

11. LOAN RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Loan receivables	34,234	46,373

The unsecured fixed-rate loans receivables of approximately HK\$34,234,000 (2021: HK\$46,373,000) under the Group's money lending services operation as at 31 March 2022 represent loan advanced to 12 (2021: 13) independent third parties. The amount of loan receivables due from the largest borrower and the five largest borrowers were HK\$4,860,000 (2021: HK\$5,248,000) and HK\$20,676,000 (2021: HK\$22,046,000), and representing 14% (2021: 11%) and 60% (2021: 48%) of the total loan receivables of the Group as at 31 March 2022 respectively. The interest rates for the loan receivables were ranging from 12% to 18% (2021: 12% to 18%) per annum.

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

	Current	Total
At 31 March 2022		
Weighted average expected loss rate	0%	0%
Receivable amount (HK\$'000)	34,234	34,234
Loss allowance (HK\$'000)	—	—
At 31 March 2021		
Weighted average expected loss rate	0%	0%
Receivable amount (HK\$'000)	46,373	46,373
Loss allowance (HK\$'000)	—	—

Subsequent to the end of the reporting period, all loan receivable balances as at 31 March 2022 have been fully repaid.

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Prepayments for gold-laden carbon processing and trading business segment (<i>Note (i)</i>)	29,635	–
Deposits paid for acquisition of property, plant and equipment	1,916	3,540
Deposits and prepayments	<u>7,084</u>	<u>1,939</u>
	38,635	5,479
Less: accumulated impairment losses	<u>(1,468)</u>	<u>(1,468)</u>
	<u>37,167</u>	<u>4,011</u>
Other receivables	3,652	4,204
Less: accumulated impairment losses	<u>(3,000)</u>	<u>(3,000)</u>
	<u>652</u>	<u>1,204</u>
	<u><u>37,819</u></u>	<u><u>5,215</u></u>

Note:

- (i) Subsequent to the end of the reporting period, all the amount of prepayments in relation to gold-laden carbon processing and trading business segment had been utilised.
- (ii) As at 31 March 2022 and 2021, included in the impairment losses of other receivables, deposits and prepayments are individually impaired other receivables and deposits with an aggregate balance of approximately HK\$4,468,000 which are due to long outstanding and/or default of payment. The Group does not hold any collateral over these balances. Impaired amounts were directly written off against deposits and receivables when there was no expectation of recovering any amount.

13. TRADE PAYABLES

The aging analysis of the trade payables as at the end of reporting period, based on the date of receipt of consumables or goods purchased, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 90 days	13,630	6,552
91 to 180 days	–	1,210
181 to 365 days	<u>128</u>	<u>–</u>
	<u><u>13,758</u></u>	<u><u>7,762</u></u>

14. SHARE CAPITAL

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Authorised:		
30,000,000,000 (2021: 30,000,000,000) ordinary shares of HK\$0.01 each	<u>300,000</u>	<u>300,000</u>
Issued and fully paid:		
139,807,827 (2021: 2,796,156,547) ordinary shares of HK\$0.01 each	<u>1,398</u>	<u>27,962</u>

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

	Number of share issued '000	Share capital <i>HK\$'000</i>
At 1 April 2020	2,366,286	23,663
Issue of shares on placement (<i>Note i</i>)	<u>429,870</u>	<u>4,299</u>
At 31 March 2021 and 1 April 2021	2,796,156	27,962
Capital reorganisation (<i>Note ii</i>)	<u>(2,656,348)</u>	<u>(26,564)</u>
At 31 March 2022	<u>139,808</u>	<u>1,398</u>

Notes:

- (i) On 17 March 2021, the Company entered into a placing agreement and supplemental agreement, respectively, with a placing agent in respect of the placement of 473,257,309 ordinary shares of HK\$0.01 each to independent investors at a price of HK\$0.067 per share. The placement of 429,870,000 placing shares was completed on 31 March 2021, resulting in which approximately HK\$4,298,700 was credited to share capital and the remaining balance of approximately HK\$24,210,000 (net of issuing expenses of approximately HK\$293,000) was credited to share premium.
- (ii) Reference to the announcements of the Company dated 26 April 2021, 13 May 2021 and 7 June 2021, the Company proposed to implement the capital reorganisation (“Capital Reorganisation”) which comprises of 1) the share consolidation of the shares of the Company on the basis of every twenty issued and unissued existing Share of par value HK\$0.01 each into one consolidated share of par value HK\$0.2 each; and 2) the capital reduction by the way of a reduction of the issued share capital of the Company through a cancellation of the paid-up capital of the Company to the extent of HK\$0.19 on each of the issued consolidated shares so that the nominal or par value of each issued consolidated share will be reduced from HK\$0.2 to HK\$0.01; and 3) the share subdivision of each of authorised but issued consolidated share of par value HK\$0.2 into twenty adjusted shares of par value HK\$0.01 each. Special general meeting of the Company had been held on 7 June 2021 and the Capital Reorganisation had been duly passed by way of poll. As all the conditions of the Capital Reorganisation have been fulfilled, the board of Directors (the “Board”) announced that the proposed Capital Reorganisation became effective on 9 June 2021.

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

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

15. EVENT AFTER THE REPORTING PERIOD

On 15 March 2022, the Board of Directors proposed to conduct the rights issue on the basis of three rights shares ("Rights Share(s)") for every two shares held on the record date of 20 May 2022 at the subscription price of HK\$0.34 per Rights Share ("Rights Issue"), to raise up to approximately HK\$71.3 million before expenses by way of issuing up to 209,711,740 Rights Shares. The proposed Rights Issue was duly approved by the independent shareholders by the way of poll at the special general meeting of the Company on 16 May 2022, and completed on 27 June 2022.

Details of the above Rights Issue are set forth in the announcements dated 15 March 2022, 4 April 2022, 8 April 2022, 22 April 2022, 16 May 2022, 15 June 2022 and 24 June 2022, the circular dated 22 April 2022 and the prospectus dated 27 May 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Performance of the Group

The Group recorded revenue of approximately HK\$182.0 million for the financial year ended 31 March 2022 (“FY2022” or the “Year”), versus approximately HK\$175.2 million in the financial year ended 31 March 2021 (“FY2021”), an increase of approximately HK\$6.8 million. During the Year, the Group principally engaged in the business of processing gold-laden carbon and sale of gold and other precious metals, outsourced business process management and money lending business. The slight increase in the Group’s revenue mainly contributed from the gold-laden carbon processing business.

Outsourced Business Process Management

The outsourced business process management business contributed 17.3% of the Group’s revenue during the Year, and revenue generated from the outsourced business process management decreased by approximately 6.1% from approximately HK\$33.6 million in FY2021 to approximately HK\$31.5 million in FY2022. The lack of improvement in the revenue for this business segment was mainly attributable to the adverse impact on the Macau gaming industry caused by the prevalence of Coronavirus (“COVID-19”) pandemic. The loss from the captioned segment during the Year was approximately HK\$5.6 million, compared with loss of approximately HK\$9.4 million during FY2021. The decrease in loss was mainly due to the tight cost control measures implemented by the Group in this segment.

Money Lending Business

The money lending business derives interest income from commercial and personal short-term unsecured loans. No impairment provisions were made as all loan receivable balances as at 31 March 2022 have been fully repaid after the year end. During the Year, revenue generated from the money lending business was approximately HK\$6.4 million with profit of approximately HK\$3.5 million (FY2021: approximately HK\$6.5 million, profit of approximately HK\$3.4 million).

Gold-laden Carbon Processing and Trading Business

The Group has diversified and developed its business into the gold-laden carbon processing and trading business. The Board seeks to develop new procurement and revenue channel in gold-laden carbon processing market.

The Group has a production line in Yunnan province, the People’s Republic of China (the “**PRC**” or “**China**”), for the extraction of gold and other precious metals from gold-laden carbon. The Group purchases the gold-laden carbon from suppliers including mining enterprises and traders. At the Group’s production line, gold and other precious metals are extracted from the gold-laden carbon using processes such as desorption and electrodeposition. The extracted gold and other precious metals will be sold to buyers and dealers in the PRC.

During the Year, the Group has recorded approximately HK\$144.1 million revenue from gold-laden carbon processing and trading business with segment profit of approximately HK\$10.6 million (FY2021: revenue approximately HK\$135.1 million with segment profit approximately HK\$2.4 million). There was only a slight increase in revenue from gold-laden carbon processing of approximately HK\$2.1 million from HK\$135.1 million in FY2021 to HK\$137.2 million during the Year. Although there was not much increment in revenue, the grade of gold-laden carbon (which reflects the gold content) supplied by the Group's supplier during the Year was higher than that in FY2021. The higher grade of gold-laden carbon produced more gold products, resulting in higher net profit during the Year.

Apart from sale of the gold processed from the gold-laden carbon in this segment, the Group has also commenced trading of gold and other precious metals during the Year which contributed approximately 4.8% or approximately HK\$6.9 million of the total revenue of the segment revenue. The revenue from the gold-laden carbon processing and trading business to the Group's total revenue was significant and contributed approximately 79.2% (FY2021: 77.1%) to the Group's total revenue during the Year.

FINANCIAL REVIEW

Revenue

During FY2022, the revenue derived from the gold-laden carbon processing and trading business and trading of gold and other precious metal was approximately HK\$144.1 million, which contributed approximately 79.2% of the Group's total revenue, representing an increase of approximately HK\$9.0 million or 6.6% (FY2021: approximately HK\$135.1 million). The increment was mainly due to i) higher grade of gold-laden carbon were supplied for processing and generated an increased amount of revenue of HK\$2.1 million during the Year; and ii) commencement in trading of gold and other precious metal and recorded approximately HK\$6.9 million additional revenue during the Year.

The outsourced business process management business contributed approximately 17.3% (FY2021: approximately 19.2%) of the Group's total revenue. The revenue derived from this segment was approximately HK\$31.5 million, representing a decrease of approximately HK\$2.1 million or 6.1% (FY2021: approximately HK\$33.6 million) due to the ongoing adverse impact on the Macau gaming industry caused by the prevalence of the Coronavirus pandemic.

The revenue derived from the money lending business was approximately HK\$6.4 million (FY2021: approximately HK\$6.5 million).

As a result of the above, in FY2022, the Group recorded a total revenue of approximately HK\$182.0 million (FY2021: approximately HK\$175.2 million), representing a slight increase of approximately 3.9%.

Cost of sales

Despite the slight increase in revenue as explained above, the cost of sales decreased by approximately HK\$9.0 million or approximately 5.8%, from approximately HK\$155.3 million for FY2021 to approximately HK\$146.3 million for the Year, which was primarily due to the slight decrease in production volume in gold-laden carbon processing during the Year.

Gross profit and gross profit margin

The Group's gross profit increased significantly by approximately HK\$15.8 million, or approximately 79.7%, from approximately HK\$19.9 million for FY2021 to approximately HK\$35.7 million for the Year, primarily due to the grade of gold-laden carbon (which reflects the gold content) supplied by the Group's supplier during the Year was higher than that in FY2021. The higher grade of gold-laden carbon produced more gold products, resulting in higher profit during the Year and led to the increase of the overall gross profit margin for the Year to approximately 19.6% (the gross profit margin for FY2021: 11.3%).

Other gain or loss, net

The increase of HK\$1.6 million in other gain or loss, net mainly derived by the waiver gain of other payables of HK\$2.7 million was recorded and offset by the decrease in sundry income of HK\$1.3 million during the Year.

Selling and distribution costs

The selling and distribution costs decreased by approximately HK\$0.6 million or 28.5% from approximately HK\$2.1 million for FY2021 to approximately HK\$1.5 million during the Year. The decrease mainly derived from the outsourced business process management business as less advertising and promotion activities were held during the Year.

Administrative and other operating expenses

The administrative and other operating expenses increased by approximately HK\$2.4 million or 9.1% from approximately HK\$25.9 million for FY2021 to approximately HK\$28.3 million for the Year. The increase was mainly due to the increase in professional fees of approximately HK\$1.0 million and staff costs of approximately HK\$1.9 million, which were partly offset by the decrease in miscellaneous expenses of approximately HK\$0.5 million.

Finance costs

The finance costs were stably maintained at approximately HK\$2.5 million (FY2021: HK\$2.5 million) as there was not much change in total borrowings during the Year and certain portion of other loans was repaid near year end.

Income tax expense

The income tax expense significantly increased from approximately HK\$0.6 million for FY2021 to approximately HK\$4.2 million for the Year, which was mainly due to the increase in profit before income tax derived from the gold-laden carbon processing and trading business.

Profit/(loss) for the year

As a result of the foregoing, the Group reported a turnaround net profit attributable to owners of the Company of approximately HK\$2.0 million for FY2022 (FY2021: a net loss attributable to owners of the Company of approximately HK\$10.5 million).

LIQUIDITY, FINANCIAL RESOURCES AND FOREIGN CURRENCY EXPOSURE

As at 31 March 2022, the Group had bank and cash balances of approximately HK\$31.8 million (2021: approximately HK\$32.3 million).

On 4 August 2021, the Company entered into a supplemental agreement with an independent third party (the “Other Loan A”). Pursuant to the Other Loan A, the principal amount of the loan is HK\$13,550,000 with fixed interest rate of 14.5% per annum. During the Year, principal amounted to HK\$13,550,000 and the accrued interest were fully repaid.

During the year ended 31 March 2020, the Company entered into an unsecured loan agreement with an independent third party (the “Other Loan B”). Pursuant to the Other Loan B, the principal amount of the loan is HK\$8,865,000 with fixed interest rate of 3.5% per annum and repayable on 13 May 2020. On 13 May 2020, the loan is extended and repayable on 13 May 2021. The loan extension is still under negotiation.

During the year ended 31 March 2021, the Company entered into an unsecured loan agreement with an independent third party (the “Other Loan C”). Pursuant to the Other Loan C, the principal amount of the loan is RMB2,000,000 with fixed interest rate of 5% per annum and repayable on 11 May 2030.

During the Year, the Company entered into an unsecured loan agreement with an independent third party (the “Other Loan D”). Pursuant to the Other Loan D, the principal amount of the loan is approximately USD3,120,000 with fixed interest rate of 3% per annum and repayable on 27 April 2022. During the Year, the principal amounted to approximately US\$2,301,000 was repaid. The remaining principal of approximately US\$406,000 and US\$413,000, with a total of US\$819,000, are repayable on 13 May 2022 and 19 May 2022 respectively. Subsequent to the end of the reporting period, the loan is further extended and repayable on 31 May 2023.

The gearing ratio, which is calculated on the basis of the Group’s total loans to the total equity, as at 31 March 2022 was 38.5%. As most bank deposits and cash on hand were denominated in Hong Kong dollar, followed by Macau Pataca, Renminbi and US dollar, the Group’s exchange risk exposure depended on the movement of the exchange rates of the aforesaid currencies.

TREASURY POLICY

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

CAPITAL STRUCTURE

As at 31 March 2022, the total number of issued ordinary shares of the Company was 139,807,827 at par value of HK\$0.01 each.

The Board proposed on 26 April 2021 to implement the capital reorganisation which comprises the followings (the “Capital Reorganisation”): (i) the share consolidation on the basis of every twenty (20) issued and unissued existing shares of par value HK\$0.01 each (the “Existing Share(s)”) into one (1) consolidated share of par value HK\$0.2 each (the “Consolidated Share(s)”); (ii) the capital reduction by way of a reduction of the issued share capital of the Company through a cancellation of the paid-up capital of the Company to the extent of HK\$0.19 on each of the issued Consolidated Shares so that the nominal or par value of each issued Consolidated Share will be reduced from HK\$0.2 to HK\$0.01; and (iii) the share subdivision of each authorised but unissued Consolidated Share of HK\$0.2 each into twenty (20) adjusted shares of HK\$0.01 each (the “Adjusted Share(s)”).

Further, the Existing Shares are traded on the Stock Exchange in the board lot size of 10,000 Existing Shares. Subject to the Capital Reorganisation becoming effective, it is proposed that the board lot size for trading in the Shares shall be changed from 10,000 Existing Shares to 5,000 Adjusted Shares.

The aforesaid proposal was approved by the shareholders of the Company at a special general meeting of the Company held on 7 June 2021. Details were set out in the announcements of the Company dated 26 April 2021 and 7 June 2021 as well as the circular of the Company dated 13 May 2021. The Capital Reorganisation and change in board lot size have become effective on 9 June 2021.

The Company proposed on 15 March 2022 to conduct the rights issue (the “Rights Issue”) on the basis of three (3) rights shares (the “Rights Share(s)”) for every two (2) shares held by the qualifying shareholders on the record date at the subscription price of HK\$0.34 per Rights Share.

The aforesaid proposal was approved by the shareholders of the Company at a special general meeting of the Company held on 16 May 2022. Details were set out in the announcements of the Company dated 15 March 2022, 16 May 2022 and 24 June 2022, as well as the circular and prospectus of the Company dated 22 April 2022 and 27 May 2022. On 27 June 2022, the Rights Issue was completed and the net proceeds from the Rights Issue were approximately HK\$66.5 million, which is proposed to be used for financing the costs of preparation work and construction work of the New Plant described under the section of “Future Developments in the Business of the Group” below.

USE OF PROCEEDS FROM PLACING OF NEW SHARES UNDER GENERAL MANDATE

The Company raised net proceeds of approximately HK\$28.4 million from the placing of 429,870,000 new shares under general mandate in March 2021 (the “Placing”). As at 31 March 2022, the net proceeds from the Placing were fully utilised for general working capital of the Group and development or enhancement of the Group’s existing businesses as intended.

The following table illustrates the net proceeds raised from the Placing utilised as at 31 March 2022:

Items	Percentage	Utilised <i>HK\$’000</i>	Unutilised <i>HK\$’000</i>	Time for the use of unutilised proceeds
Working capital and general corporate purposes	68.31%	19,400	–	Completed
Development or enhancement of the Group’s existing businesses	31.69%	9,000	–	Completed
Total	100%	28,400	–	

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

Save as mentioned in the following paragraphs, the Group did not have any other material acquisition, disposal and significant investment during the year ended 31 March 2022.

FUTURE DEVELOPMENTS IN THE BUSINESS OF THE GROUP

Looking forward in 2022, the Group has committed to expand the gold-laden carbon processing and trading business.

In face of the growing uncertainties in global economic and political environment and the historical trend in gold prices, the Board is optimistic about the future worldwide demand for gold. the Group expected the gold price will remain stably high and will grow further in the coming few years, the Group will continue to operate the gold-laden carbon processing and trading of gold and other precious metal business as its core business, which will enable the Group to diversify into a promising industry and it is expected to broaden the Group’s income stream and increase shareholders’ return.

During the Year, although the Group has entered new contracts to continue its outsourced business process management business in Macau with initial term from May 2021 to June 2022, 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.

The New Plant and the Framework Agreement

In this respect, the Group entered into the framework agreement (the "Framework Agreement"), which is legally-binding, with 栾川縣金興礦業有限責任公司 (Luanchuan Jinxing Mining Limited Liability Company*) ("Jinxing Mining"), a company wholly and beneficially owned by Bay Area Gold Group Limited, a company whose shares are listed and suspended for trading since 1 April 2022 on the Stock Exchange (stock code: 1194), 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. Details of the Framework Agreement were set out in the announcement, circular and prospectus of the Company dated 15 March 2022, 22 April 2022 and 27 May 2022 respectively.

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 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 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 and processing plant and able to provide a legal and stable ore supply.

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 of the Company (“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 processing plant located in Yunnan Province of the PRC (“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.

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 this announcement, the Company has not entered into agreement with any contractors. 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) and it will be financed by finance lease, bank loans, internal resources of the Group and also the net proceeds from the Rights Issues proposed on 15 March 2022. Details for the expected timeline and finance plan for the construction of the New Plant were set out in the announcement, circular and prospectus of the Company dated 15 March 2022, 22 April 2022 and 27 May 2022 respectively.

Save as aforesaid, as at the date of this announcement, the Group had no other plans for material investments or acquisition of capital assets. However, the Group will continue to identify new opportunities for business development. In the event that any definitive agreement of capital assets, further announcement(s) will be made if and when required or as appropriate in compliance with the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

At 31 March 2022, the Group did not have any substantial pledge of assets and substantial contingent liabilities.

CAPITAL COMMITMENTS

As at 31 March 2022, the Group’s capital expenditure contracted for but not provided in respect of acquisition of property, plant and equipment amounted to HK\$Nil (31 March 2021: HK\$Nil).

EMPLOYEES AND REMUNERATION POLICY

The Group employed approximately 60 employees as at 31 March 2022.

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

LITIGATION

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during FY2022.

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its business partners, suppliers and customers to meet its immediate and long-term goals. Accordingly, the Group's senior management have kept good communication, promptly exchanged ideas and shared business update with the stakeholders when appropriate. The Group has organized and encouraged staff to participate in local fund raising activities for the underprivileged in society in Hong Kong. During FY2022, there were no material and significant dispute between the Group and its business partners, suppliers and/or customers.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long term sustainability of the environment and communities in which it operates. The Group encourages environmental protection and promotes awareness towards environmental protection to the employees. Details of the environmental policies and performance are set out in Environment, Social and Governance Report to be published in due course.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Strategic Enterprise Risks

It includes stagnant or negative growth of the Group's current businesses and delayed implementation of new business agreements arising from economic, governmental and political instability. The management of the Group manages and monitors these exposures by carrying out feasibility assessment, forecast and projection to ensure appropriate measures are implemented on a timely and effective manner.

Operational Risks

The key operational risks of the Group are as follows:

- i) Breakdown of the racing system or electronic gaming machines
- ii) Misappropriation of assets and fraudulent act by game players
- iii) High staff turnover rates particularly on key operational staff
- iv) Crisis events leading to disruption of business

Responsibility for managing operational risks basically rests with every function at segmental and departmental levels. Key functions in the Group are guided by their standard operating procedures, limits of authority and reporting framework. Management of the Group will identify and assess key operational exposures regularly so that appropriate risk response can be taken.

Financial Risks

Financial risks include liquidity risk, foreign exchange rate risk and credit risk. In managing liquidity risk, the Group monitors cash flows and maintains an adequate level of cash and cash equivalent to ensure the ability to finance the Group's operations and reduce the effects of fluctuation in cash flows.

For foreign exchange rate risk, the Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

Compliance Risk

Compliance risk is the risk that the Group will be reprimanded by authorities for non-compliance. The management of the Group works with external professional parties to monitor and ensure that the business procedures and documentation are fully complied with applicable local laws and regulations.

CORPORATE GOVERNANCE

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

The Company had made specific enquiry of all the Directors and confirmed that all the Directors have complied with the required standard as set out in the Model Code during the Year.

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

The Board is satisfied that the Company has complied with the applicable code provisions of the CG Code throughout the Year except for the following deviations:

- (1) Code Provision C.2.1 of the CG Code provides that the roles of Chairman and chief executive officer of the Company (“CEO”) should be separate and should not be performed by the same individual. The roles of Chairman and CEO were both performed by Mr. DING Lei (“Mr. Ding”), an executive Director with effect from 20 September 2019. Mr. Ding was subsequently re-designated as the Co-CEO, together with Mr. ZHU Tianxiang (“Mr. Zhu”), a former executive Director with effect from 11 June 2020. Mr. Ding was re-designated as CEO on 19 July 2021. The Board considers that having Mr. Ding to act as the Chairman and CEO would enhance the operation efficiency and core competitiveness of the Group, more clearly define the organizational structure, and simplify the Group’s decision-making mechanism. Therefore, the Board considers that such deviation is beneficial to the Group’s overall business development. The Board will continue to review the management structure of the Group from time to time and shall make necessary changes when appropriate and inform the shareholders of the Company accordingly.
- (2) Code Provision F.2.2 of CG Code provides that the chairman of the Board should attend annual general meetings of the Company and should also invite the chairmen of the audit committee, remuneration committee, nomination committee and any other committees (as appropriate) of the Company to attend. Mr. DING Lei, Chairman of the Board and chairman of the nomination committee of the Company; and Mr. DENG Yougao, the chairman of the remuneration committee of the Company were absent from the annual general meeting of the Company held on 28 September 2021 (“2021 AGM”) due to the measures imposed in Hong Kong on COVID-19 and other business engagements. Other members of the Board and members of the nomination and remuneration committee of the Company were available to answer questions at the 2021 AGM.
- (3) Code Provision C.1.6 of the CG Code provides that independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Due to other business engagements, Mr. DENG Yougao, the independent non-executive Director could not attend the 2021 AGM. However, at the 2021 AGM, Ms. WONG Chi Yan and Mr. CHONG Lok Man, the independent non-executive Directors, present in person to enable the Board to develop a balanced understanding of the views of the Shareholders.

AUDIT COMMITTEE

As at the date of this announcement, the audit committee of the Company (the “Audit Committee”) comprises three INEDs, namely Ms. WONG Chi Yan (Chairman), Mr. DENG Yougao and Mr. CHONG Lok Man. The Audit Committee had reviewed the accounting principles and practices adopted by the Group, and had discussed auditing, internal control and financial reporting matters, including the review of the annual results for the financial year ended 31 March 2022, with the Company’s management and the external auditors.

INTERNAL CONTROL

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

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

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2022 as set out in this announcement have been agreed by the Group's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2022. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on this announcement.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company will be held on Friday, 23 September 2022 (“2022 AGM”).

The register of members of the Company will be closed during the periods from Tuesday, 20 September 2022 to Friday, 23 September 2022, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders’ eligibility to attend and vote at the 2022 AGM. In order to be eligible to attend and vote at the 2022 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company’s branch share registrar, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Monday, 19 September 2022.

By order of the Board

Success Dragon International Holdings Limited

DING Lei

Chairman, Co-Chief Executive Officer and Executive Director

Hong Kong, 29 June 2022

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