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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)**

### **VOLUNTARY ANNOUNCEMENT – BUSINESS UPDATE**

References are made to (i) the announcements of Success Dragon International Holdings Limited (the “**Company**”) dated 15 March, 8 April, 22 April, 15 June and 24 June 2022 respectively; (ii) the circular of the Company dated 22 April 2022 (the “**Circular**”); and (iii) the prospectus of the Company dated 27 May 2022 (the “**Prospectus**”) in relation to, among other things, the Rights Issue and the establishment of the New Plant for the Group’s gold processing and trading business. Capitalised terms used herein shall have the same meanings as defined in the Prospectus unless the context otherwise requires.

#### **Update in respect of the gold processing and trading business**

As disclosed in the Circular and the Prospectus, the Group entered into the Framework Agreement with Jinxing Mining on 15 March 2022 in respect of the establishment of the New Plant with designed annual processing capacity of 600,000 tonnes in Luanchuan County, Henan Province of the PRC to further develop and expand its gold processing and trading business. According to the expected timeline for the construction and development of the New Plant as set out in the Prospectus, the preparation work and approvals from relevant authorities were expected to be completed in August 2022 and construction work was expected to commence from September 2022.

As at the date of this announcement, the preparation works in respect of the New Plant have been delayed mainly due to the following:

- (i) pursuant to the Administrative Measures of the Forestry Land Requisition-Compensation of Luanchuan County\* (《欒川縣林業用地佔補平衡管理辦法》) issued by the Luanchuan county government of the PRC on 10 November 2020, to obtain the relevant approvals for the construction of the tailings dam for the New Plant (the “**Tailings Dam**”), the Group is required to undertake environmental rehabilitation works on certain types of land, the size of which is at least equivalent to the land to be used for the construction of the Tailings Dam, i.e. 440 *mu* (the “**Qualifying Land**”). As comprehensive local land register is not readily accessible to the Group and the required size of the Qualifying Land is substantial, the Group has sought assistance from the relevant local government departments in order to identify any such Qualifying Land. As at the date of this announcement, the Group is still awaiting response from the local government departments and has not yet been able to identify any Qualifying Land. As such, the Group has not

yet been able to obtain all of the necessary approvals for the Tailings Dam and the preparation works on the New Plant have been delayed; and

- (ii) pursuant to the Notice In Relation to the Publication of the Administrative Measures of the Temporary Land in Henan Province\* (《關於印發河南省臨時用地管理辦法的通知》) issued by the Department of Natural Resources of Henan Province of the PRC\* (中國河南省自然資源廳) on 19 June 2022, the use of land for the Tailings Dam no longer falls within the approved applications for temporary land-use. Under the new regulations, the Group must acquire industrial-use land from the local government and apply for long-term land-use approval for the construction of the Tailings Dam, thereby increasing the time and cost to the Group beyond the original timetable and expected capital outlay as set out in the Prospectus. As at the date of this announcement, the Group is still in discussions with the relevant government departments regarding its options, including whether the necessary land-use approval can be obtained without having to purchase the industrial-use land.

In light of the continued delays in respect of the construction of the New Plant described above and in order for the Group to maintain its business momentum and expediate the expansion of its gold processing and trading business, the Group entered into lease agreements with independent third parties in respect of the three gold processing plants located in (i) Longtan Village of Miaozi Town\* (廟子鎮龍潭村) (the “**Tianfang Plant**”); (ii) Kangshan Village of Baitu Xiang, Luanchuan County\* (欒川縣白土鄉康山村) (the “**Xingxingyin Plant**”); and (iii) Tongzizhuang Village of Rixuan Town, Song County\* (嵩縣日縣鎮童子莊村) (the “**Tongzizhuang Plant**”) in Henan Province of the PRC (collectively, the “**Leased Plants**”) on 30 June, 1 August and 18 August 2022, respectively. The Group commenced gold processing operations at the Tianfang Plant and Tongzizhuang Plant in July and August 2022, respectively, and is currently undertaking feasibility studies and preparation works with a view to upgrade the processing capacity of the Xingxingyin Plant.

The Group will continue to proactively liaise with the relevant government departments in the PRC to facilitate the issue of the necessary approvals for the construction and establishment of the New Plant. However, should there be additional or prolonged delays which become unduly burdensome for the Group, the Board considers that there may be other alternatives to expand the Group’s gold processing and trading business including, among other things, investing in upgrading the plant, equipment and machinery of the Leased Plants and potentially acquiring existing gold processing plants (which may include, but are not limited to, the Leased Plants) to increase the Group’s total gold processing capacity, thereby generating higher revenues to the Group and increasing returns to the Shareholders.

The Company is still considering its options and strategy in respect of (i) the delays in the construction and establishment of the New Plant; and (ii) any potential investment in, acquisition of or upgrades made to the Leased Plants and no plans have been finalised as at the date of this announcement. The Board would also like to emphasise that there is no change in the planned use of the net proceeds from the Rights Issue as set out in the Prospectus.

The Company will keep the Shareholders and potential investors informed of any further updates regarding the New Plant, the Leased Plants and the gold processing and trading business of the Group as and when necessary and in compliance with the relevant Listing Rules.

**Shareholders and potential investors should exercise caution when dealing in the securities of the Company.**

\* *For identification purposes only*

On behalf of the Board  
**Success Dragon International Holdings Limited**  
**LIU Shiwei**  
*Chairman and Executive Director*

Hong Kong, 25 October 2022

*As at the date of this announcement, the Executive Directors are Mr. LIU Shiwei, Mr. WANG Baozhi and Mr. DING Lei; the Independent Non-Executive Directors are Mr. DENG Yougao, Ms. WONG Chi Yan and Dr. Cheung Ka Yue.*