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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 2023

The consolidated results of Success Dragon International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the financial year ended 31 March 2023 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 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>CONTINUING OPERATIONS</b>			
Revenue	4	363,764	144,107
Cost of sales		<u>(329,977)</u>	<u>(123,423)</u>
Gross profit		33,787	20,684
Other gain or loss, net	4	2,123	2,884
Administrative and other operating expenses		<u>(23,031)</u>	<u>(15,330)</u>
<b>Profit from continuing operations</b>		12,879	8,238
Finance costs	5	(696)	(1,054)
Share of losses of an associate		<u>(1,184)</u>	<u>(192)</u>
<b>Profit before tax from continuing operations</b>	6	10,999	6,992
Income tax expense	7	<u>(6,380)</u>	<u>(4,185)</u>
<b>Profit for the year from continuing operations</b>		4,619	2,807
<b>DISCONTINUED OPERATIONS</b>			
<b>Loss from discontinued operations</b>	9	<u>(3,803)</u>	<u>(775)</u>
<b>PROFIT FOR THE YEAR</b>		<u><u>816</u></u>	<u><u>2,032</u></u>

	<i>Notes</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Other comprehensive (expense)/income</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		(2,716)	242
Exchange differences reclassified to profit or loss upon disposal of subsidiaries		(47)	260
		<u>(2,763)</u>	<u>502</u>
<b>Total other comprehensive (expense)/income for the year, net of tax</b>		<u>(2,763)</u>	<u>502</u>
<b>Total comprehensive (loss)/income for the year</b>		<u>(1,947)</u>	<u>2,534</u>
			(Restated)
<b>Earnings per share (HK cents per share)</b>	<i>10</i>		
Basic earnings per share		<u>0.27</u>	<u>1.37</u>
Diluted earnings per share		<u>N/A</u>	<u>N/A</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	<i>Notes</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>4,847</b>	7,638
Right-of-use assets		<b>6,387</b>	477
Investment in an associate		<b>577</b>	3,761
Goodwill		<b>–</b>	409
		<b>11,811</b>	12,285
<b>Current assets</b>			
Inventories		<b>31,934</b>	19,376
Trade receivables	<i>11</i>	<b>1,528</b>	6,408
Loan receivables		<b>–</b>	34,234
Other receivables, deposits and prepayments	<i>12</i>	<b>74,921</b>	37,819
Bank and cash balances		<b>91,789</b>	31,794
		<b>200,172</b>	129,631
<b>Current liabilities</b>			
Trade payables	<i>13</i>	<b>16,587</b>	13,758
Other payables and accruals	<i>14</i>	<b>27,763</b>	8,735
Contract liabilities		<b>35,389</b>	41,787
Lease liabilities		<b>3,085</b>	527
Amount due to the directors		<b>3,968</b>	3,502
Other loans		<b>–</b>	16,475
Tax payable		<b>5,955</b>	4,547
		<b>92,747</b>	89,331
<b>Net current assets</b>		<b>107,425</b>	40,300
<b>Total assets less current liabilities</b>		<b>119,236</b>	52,585

		2023	2022
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Non-current liabilities</b>			
Lease liabilities		3,366	—
Other loan		—	2,705
		<u>3,366</u>	<u>2,705</u>
<b>NET ASSETS</b>		<b><u>115,870</u></b>	<b><u>49,880</u></b>
<b>Capital and reserves</b>			
Share capital	15	3,495	1,398
Reserves		112,375	48,482
<b>TOTAL EQUITY</b>		<b><u>115,870</u></b>	<b><u>49,880</u></b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Foreign currency translation reserve <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2021	27,962	1,352,127	3,886	(155,460)	3,293	1,190	(1,185,652)	47,346
Total comprehensive income for the year	-	-	-	-	502	-	2,032	2,534
Capital reorganization (Note 15(i))	(26,564)	26,564	-	-	-	-	-	-
At 31 March 2022 and 1 April 2022	1,398	1,378,691	3,886	(155,460)	3,795	1,190	(1,183,620)	49,880
Total comprehensive loss for the year	-	-	-	-	(2,763)	-	816	(1,947)
Right Issues (Note 15(ii))	2,097	65,840	-	-	-	-	-	67,937
At 31 March 2023	<u>3,495</u>	<u>1,444,531</u>	<u>3,886</u>	<u>(155,460)</u>	<u>1,032</u>	<u>1,190</u>	<u>(1,182,804)</u>	<u>115,870</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 19/F., Guangdong Finance Building, 88 Connaught Road West, 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 gold processing business in the People’s Republic of China (the “PRC”).

These consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

## 2 APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### Amendments to HKFRSs that are mandatorily effective for current year

In the current year, the Group has applied amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>2</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

The Directors anticipate that the application of these new and amendments to HKFRSs, which are not effective, will have no material impact on the consolidated financial statements in the foreseeable future.

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or 1 January 2024.

## 3 SEGMENT INFORMATION

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

Outsourced business process management (Discontinued operations)	–	Provision of services on management of electronic gaming equipment in Macau
Money lending services (Discontinued operations)	–	Provision of money lending services in Hong Kong
Gold processing and trading business	–	Provision of gold 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.

During the year ended 31 March 2023, the outsourced business process management business was operated up to June 2022 due to the expiring of the service contract on management of electronic gaming equipment and the operations was terminated thereafter.

For the Money Lending services, the Group decided not to renew the money lending licence and ceased operation this year.

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										
	Discontinued operations					Continued operations					
	Outsourced business		Money lending			Sub-total		Gold processing and		Total	
	process management		services				trading business				
2023	2022	2023	2022	2023	2022	2023	2022	2023	2022		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
REVENUE:											
Revenue from external customers	<u>7,118</u>	<u>31,538</u>	<u>516</u>	<u>6,387</u>	<u>7,634</u>	<u>37,925</u>	<u>363,764</u>	<u>144,107</u>	<u>371,398</u>	<u>182,032</u>	
Segment profit/(loss)	<u>(4,360)</u>	<u>(5,383)</u>	<u>557</u>	<u>4,608</u>	<u>(3,803)</u>	<u>(775)</u>	<u>26,178</u>	<u>14,795</u>	<u>22,375</u>	<u>14,020</u>	
Interest income									754	39	
Unallocated income									1,764	2,845	
Unallocated corporate expenses									(15,817)	(9,441)	
Share of losses of an associate									(1,184)	(192)	
Finance costs									(696)	(1,054)	
Profit before tax									<u>7,196</u>	<u>6,217</u>	

Segment revenue represents revenue from external customers shown above. There are no sales between the reportable segments for both year ended 31 March 2023 and 2022.

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, finance costs and unallocated income and 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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Segment assets</b>		
Gold processing and trading business	114,605	61,963
Bank and cash balances	91,789	31,794
Investment in an associate	577	3,761
Other unallocated assets	3,647	2,818
<b>Total for continuing operations</b>	<u>210,618</u>	<u>100,336</u>
<b>Discontinued operations</b>		
Outsourced business process management	1,365	4,595
Money lending services	–	36,985
	<u>1,365</u>	<u>41,580</u>
<b>Consolidated assets</b>	<u><u>211,983</u></u>	<u><u>141,916</u></u>
<b>Segment liabilities</b>		
Gold processing and trading business	83,411	60,760
Other loans	–	19,180
Other unallocated liabilities	6,974	5,175
<b>Total for continuing operations</b>	<u>90,385</u>	<u>85,115</u>
<b>Discontinued operations</b>		
Outsourced business process management	5,725	5,938
Money lending services	3	983
	<u>5,728</u>	<u>6,921</u>
<b>Consolidated liabilities</b>	<u><u>96,113</u></u>	<u><u>92,036</u></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 geographical location of customers is based on the location of the customers, irrespective of the origin of the goods or services.

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

**Revenue by geographical market**

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
The PRC	<u>363,374</u>	<u>144,107</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A – Gold processing and trading business segment	128,730	30,426
Customer B <sup>#</sup> – Gold processing and trading business segment	N/A	100,836
Customer C <sup>#</sup> – Gold processing and trading business segment	102,028	–
Customer D <sup>#</sup> – Gold processing and trading business segment	63,246	–
Customer E <sup>#</sup> – Gold processing and trading business segment	<u>40,260</u>	<u>–</u>

# Customer B did not contribute over 10% of the Group's revenue for the year ended 31 March 2023, while Customers C, D and E did not contribute any of the Group's revenue for the year ended 31 March 2022.

The geographical location of the non-current assets is based on the physical location of the assets.

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong	2,395	4,979
The PRC	<u>9,416</u>	<u>6,638</u>
	11,811	11,617
<b>Discontinued operation</b>		
Macau	<u>–</u>	<u>668</u>
	<u>11,811</u>	<u>12,285</u>

(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 (Discontinued operations)		Money lending services (Discontinued operations)		Gold processing and trading business		Unallocated		Consolidated total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	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	-	-	1,797	4,322	334	-	2,131	4,603
Depreciation of property, plant and equipment	91	583	-	-	643	367	505	443	1,239	1,393

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

Revenue represents fair value for services provided and goods sold by the Group to outside customers.

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

	2023	2022
	HK\$'000	HK\$'000
<b>Revenue from contracts with customers:</b>		
Gold processing and trading business	<u>363,764</u>	<u>144,107</u>

Disaggregation of revenue from contracts with customers:

	2023	2022
	HK\$'000	HK\$'000
<b>Gold processing and trading business</b>		
<b>Time of revenue recognition</b>		
– At a point of time	<u>363,764</u>	<u>144,107</u>

**Gold processing and trading business**

The Group process gold 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.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Other gain or loss, net:</b>		
Net gain on disposal of subsidiaries	1,685	126
Waiver gain of other payables ( <i>Note 1</i> )	–	2,715
Interest income on bank deposits	754	39
Goodwill impairment ( <i>Note 2</i> )	(409)	–
Gain on termination of lease	1	–
Sundry income	92	4
	<u>2,123</u>	<u>2,884</u>

*Note 1:*

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.

*Note 2:*

During the year ended 31 March 2023, the goodwill on acquisition of the Powerful Finance Limited was impaired due to the cessation of the money lending business and no further revenue is generated with no renewal of the lending licence.

## 5 FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Leases interests	153	89
Interest on other loans	543	965
	<u>696</u>	<u>1,054</u>

## 6 PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

The Group's profit for the year is stated after charging/(crediting):

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Impairment loss on investment in an associate	2,000	–
Depreciation of property, plant and equipment	1,148	810
Depreciation of right-of-use assets	1,074	704
Cost of inventories sold (included in “cost of sales”)	329,977	123,423
Auditor's remuneration	900	980
Staff costs (including Directors' remuneration):		
Salaries, allowances and other benefits in kind	9,082	6,409
Pension scheme contributions	1,079	586
Total staff costs	<u>10,161</u>	<u>6,995</u>

Cost of inventories sold includes raw materials, staff costs and depreciation of approximately HK\$329,977,000 (2022: HK\$123,423,000) which are included in the amounts disclosed separately above.

## 7 INCOME TAX EXPENSES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax – The PRC		
Provision for the year	<u>6,380</u>	<u>4,185</u>

No provision for Hong Kong profits tax is required since the Group has no assessable profit for the year ended 31 March 2023 and 2022.

Macau Complementary Tax is calculated at a progressive rate from 9% to 12% on the estimated assessable profit for the years ended 31 March 2023 and 2022. No provision for Macau Complementary Tax is required as the Company's subsidiary in Macau incurred tax losses for the years ended 31 March 2023 and 2022.

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.

## 8 DIVIDEND

The Directors do not recommend the payment of any dividend for each of the years ended 31 March 2023 and 2022.

## 9 DISCONTINUED OPERATIONS

During the year ended 31 March 2023, the outsourced business process management business operated up to June 2022 due to the expiring of the service contract on management of electronic gaming equipment and no renewal of the service contract. For the money lending services, the Group decided not to renew the money lending licence this year. The operations of these business were ceased during the year.

The results of the discontinued operations for the year are presented below:—

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Revenue	7,634	37,925
Cost of sales	(5,295)	(22,919)
Other gain or loss, net	90	194
Selling and distribution costs	(332)	(1,515)
Administrative and operating expenses	(5,900)	(13,002)
Finance cost	—	(1,458)
	<u>          </u>	<u>          </u>
Loss for the year from the discontinued operations	<b><u>(3,803)</u></b>	<b><u>(775)</u></b>
Loss per share (HK cents per share):		
Basic and diluted, from discontinued operations	<b><u>(1.26)</u></b>	<b><u>(0.52)</u></b>

The calculations of basic and diluted loss per share from the discontinued operation are based on:

	<b>2023</b>	2022
Loss attributable to ordinary equity holders of the parent from the discontinued operations	<b>(HK\$3,803,000)</b>	(HK\$775,000)
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation ( <i>note 10</i> )	<b><u>301,510,000</u></b>	<u>148,102,000</u>

## 10 EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit of approximately HK\$816,000 (2022: approximately HK\$2,032,000) for the year attributable to owners of the Company and the weighted average number of approximately 301,510,000 (2022: 148,102,000) 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 and the Rights Issue completed in June 2022 (Note 15).

**(b) Earnings per share restated for Rights Issue**

Due to the Rights Issue in current year, the earnings per share for the year ended 31 March 2022 was restated for Rights Issue for comparison purpose.

**11 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.

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Trade receivables	<b>1,528</b>	6,408

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

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
0 to 90 days	<b>356</b>	6,408
Over 91 days	<b>1,172</b>	–
	<b>1,528</b>	6,408

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss 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.

	<b>Current</b>	<b>Total</b>
<b>At 31 March 2023</b>		
Weighted average expected loss rate	<b>0%</b>	<b>0%</b>
Receivable amount (HK\$'000)	<b>1,528</b>	<b>1,528</b>
Loss allowance (HK\$'000)	–	–
<b>At 31 March 2022</b>		
Weighted average expected loss rate	0%	0%
Receivable amount (HK\$'000)	6,408	6,408
Loss allowance (HK\$'000)	–	–

## 12 DEPOSITS AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Prepayments for gold processing and trading business segment	62,429	29,635
Deposits paid for acquisition of property, plant and equipment	2,443	1,916
Deposits and prepayments	<u>8,732</u>	<u>7,084</u>
	73,604	38,635
Less: accumulated impairment losses	<u>(3,134)</u>	<u>(1,468)</u>
	<u>70,470</u>	<u>37,167</u>
Other receivables	7,451	3,652
Less: accumulated impairment losses	<u>(3,000)</u>	<u>(3,000)</u>
	<u>4,451</u>	<u>652</u>
	<u><u>74,921</u></u>	<u><u>37,819</u></u>

### *Note*

As at 31 March 2023, 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\$6,134,000 (2022: 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 90 days	10,686	13,630
91 to 180 days	3	–
181 to 365 days	5,696	128
Over 1 year	202	–
	<u>16,587</u>	<u>13,758</u>

### 14 OTHER PAYABLES AND ACCRUALS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Accrued expenses	4,642	4,720
Accrued staff cost	754	914
Other payables	22,141	2,691
Other	226	410
	<u>27,763</u>	<u>8,735</u>

### 15 SHARE CAPITAL

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Authorised:</b>		
30,000,000,000 (31 March 2022: 30,000,000,000) ordinary shares of HK\$0.01	<u>300,000</u>	<u>300,000</u>
<b>Issued and fully paid:</b>		
349,519,567 (31 March 2022: 139,807,827) ordinary shares of HK\$0.01 each	<u>3,495</u>	<u>1,398</u>

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

	<b>Number of share issued</b> <i>'000</i>	<b>Share capital</b> <i>HK\$'000</i>
At 1 April 2021	2,796,156	27,962
Capital reorganisation ( <i>Note i</i> )	<u>(2,656,348)</u>	<u>(26,564)</u>
At 31 March 2022 and 1 April 2022	139,808	1,398
Right issues ( <i>Note ii</i> )	<u>209,712</u>	<u>2,097</u>
At 31 March 2023	<u><u>349,520</u></u>	<u><u>3,495</u></u>

*Notes:*

- (i) 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.
- (ii) 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 gross proceeds up to approximately HK\$71.3 million, and after deduction of right issue expenses of approximately HK\$3.4 million, by way of issuing up to 209,711,740 Rights Shares. The proposed Rights Issue was duly passed by the independent shareholders by the way of poll at the special general meeting on 16 May 2022 and completed on 27 June 2022.

The proceeds from the Right Issue will be used for a project for setting up a plant in China for gold ore processing. The project is delayed due to the Group is still locating for an appropriate site. As at the day of the announcement, the project is still going on and the proceeds of the Right Issue is deposit in the bank accounts.

## 16 EVENT AFTER THE REPORTING PERIOD

As at the date of this announcement, the Group had no significant event after the reporting period which need to be disclosed.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### **Gold Processing and Trading Business**

The Group has completely diverted its business into the gold processing and trading business during the Year. The Board proactively seeks to develop the new procurement and revenue channel in gold processing market in different location in the People's Republic of China (the "PRC").

The Group recorded revenue of approximately HK\$363.8 million for the financial year ended 31 March 2023 ("FY2023" or the "Year") as compared with approximately HK\$144.1 million in the financial year ended 31 March 2022 ("FY2022"), representing a significant increase of approximately 152.4%. During the Year, the Group was principally engaged in the business of gold processing and trading. The significant increase in the Group's revenue was mainly attributable to the gold ore processing in Henan which had commenced operation during the Year.

The gold processing and trading business comprised two categories as described below:–

#### ***Gold-laden Carbon Processing***

The Group has a production line in Yunnan province, the PRC, 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 and turn into bullion. 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\$134.7 million revenue from gold-laden carbon processing (FY2022: approximately HK\$137.2 million). The volume and revenue for the gold-laden carbon processing were stable during the Year as compared with FY2022.

#### ***Gold Ore Processing***

During the Year, the Group has entered into lease agreements with independent third parties in respect of the four gold processing plants located in Henan province of the PRC. All of the gold processing plants have commenced operations during the Year. The gold processing plants purchase gold ore from suppliers and process the gold ore by way of a series of crushing and grinding, gravity separation/flotation, concentration and dehydration, and turn it into gold powder. The Group sells the gold powder to gold smelters and recognize revenue upon such sale. The Group recorded approximately HK\$228.7 million revenue from gold ore processing during the Year.

Apart from the sale of the gold processing, the Group has also engaged in the trading of gold and other precious metals during the Year, which contributed approximately 0.1% or approximately HK\$0.4 million of the revenue (FY2022: approximately 4.8% or approximately HK\$6.9 million). The significant drop in revenue in the trading of gold and other precious metals was due to the Group having diverted more resources and focused on the development of gold ore processing during the Year.

## **Discontinued Operations**

During the Year, the Group has ceased operations for the two businesses below:–

### **1. *Outsourced Business Process Management***

The revenue generated from the outsourced business process management significantly decreased by approximately 77.4% from approximately HK\$31.5 million in FY2022 to approximately HK\$7.1 million in the Year. The significant reduction of revenue was due to limited operation of business for only around three months as the operating agreement was terminated in June 2022. The Group decided to cease operation of this business as this segment was kept on operating in loss. The loss from the captioned segment during the Year was approximately HK\$4.4 million, compared with loss of approximately HK\$5.4 million during FY2022. The decrease in loss was mainly due to the reduction of expenses as the operation was ceased during the Year.

### **2. *Money Lending Business***

The money lending business derives interest income from commercial and personal short-term unsecured loans. All loan receivable balances have been fully repaid and no new loans have been granted as at the end of the Year. Furthermore, the money lender's licence of the Company has expired and the Company decided not to renew the licence and cease operation of its money lending business.

During the Year, revenue generated from the money lending business was approximately HK\$0.5 million (FY2022: approximately HK\$6.4 million) with profit of approximately HK\$0.6 million (FY2022: approximately HK\$4.6 million).

## **Overview of the Money Lending Business**

The Company's money lending business has been carried out by Powerful Finance Limited ("Powerful Finance"), a wholly-owned subsidiary of the Company and has been focusing on commercial and personal short-term unsecured loans.

The loans granted by Powerful Finance are short-term in nature to customers who were well-established companies which need short-term financing for corporate needs. The Group mainly solicited its customers through referrals from existing clients and direct approaches by the directors of the subsidiary of the money lending business.

During the Year, all borrowers with Powerful Finance’s loan portfolio, the obligors providing collateral(s) or guarantee in favour of the respective loans, and/or their respective ultimate beneficial owners (where applicable), are third parties independent of the Company and its connected persons in accordance with the Listing Rules.

Mr. Ding Lei (“Mr. Ding”), an executive Director and the sole director of Power Finance, is mainly responsible for the money lending business of Powerful Finance. Mr. Ding obtained a Master’s degree in Finance from The University of Texas at Dallas in December 2015. 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 and he is also currently the director and general manager of various companies.

### **Internal Control Procedures**

When potential client(s) approaches Powerful Finance for application of loan financing, client identification procedures will take place and the staff of Powerful Finance would enquire the potential client’s information.

The following is a summary of the general guidelines of assessing loan applications by Powerful Finance:

- (A) Identity proof – identity card and passport from individuals and business registration certificate, certificate of incorporation and the constitutional documents from corporate entities must be provided for verification;
- (B) Address proof – utility bills, bank/credit card statements or formal correspondence issued by either a governmental department or statutory body is required to be produced;
- (C) Repayment ability assessment – to assess the repayment ability of each customer, in addition to the background search, the Group checks the availability of guarantor, where applicable, past payment record and any other available information are also evaluated. Further information from the customer may be requested to determine the financial status of borrowers, including but not limited to the following: asset proof, income proof, bank statements, financial statements and auditor’s report (where applicable). Certain financial criteria should be met in proportionate with the credit facility to be granted in accordance with the Money Lending Procedure Manual of Powerful Finance; and
- (D) Credit worthiness assessment – litigation search, background search and media search would be conducted upon potential clients.

After credit assessment and review of the loan applications, with the loan terms determined (having taken into consideration factors such as the credit risks of the customers, the amount of loan borrowed and the prevalent market interest rates), loan documents will be prepared and the loans will be reported to the director of Power Finance for approval. The director of Power Finance shall then consider whether such loans are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole. Moreover, if one or more of the applicable percentage ratio(s) as defined under chapter 14 of the Listing Rules in respect of any potential loan(s) is more than 5%, such loan(s) will be reported to the Board immediately for further approval.

Last but not least, the Group would conduct regular review and carry out follow up actions in a timely manner in respect of overdue amounts to minimise the Group's exposure to credit risk and follow up closely with its customers as to the deadlines in payment of interest of the loans.

In case there are any minor defaults, the management will send reminder and/or demand letters to its customers. In case the default for loans persists (i.e. delay in repayment has exceeded for three months or above), the collection procedure will commence and the Group will engage lawyers in advising on the loan, its recovery and enforcement action.

## **FINANCIAL REVIEW**

### **Revenue**

During the Year, the revenue derived from the gold processing and trading business and trading of gold and other precious metals was approximately HK\$363.8 million, representing a significant increase of approximately HK\$219.7 million or 152.4% as compared to FY2022 (FY2022: approximately HK\$144.1 million). The increase in revenue was mainly attributable to the significant additional revenue from the commencement of the gold ore processing during the Year.

### **Cost of sales**

The cost of sales increased by approximately HK\$206.6 million or approximately 167.4%, from approximately HK\$123.4 million for FY2022 to approximately HK\$330.0 million for the Year, which was primarily due to the significant increase in revenue in the gold processing and trading business during the Year.

## **Gross profit and gross profit margin**

Despite there was significant growth of revenue, the Group's gross profit only increased by approximately HK\$13.1 million, or approximately 63.3%, from approximately HK\$20.7 million for FY2022 to approximately HK\$33.8 million for the Year. The growth in gross profit was not proportionate to the increase in revenue mainly due to (i) the decrease in the business of trading of gold and other precious metals for which the revenue recognised in net basis from gross amount. This portion of revenue only contributed approximately 0.1% or approximately HK\$0.4 million of the total revenue for the Year (FY2022: approximately 4.8% or approximately HK\$6.9 million); and (ii) the grade of gold-laden carbon (which reflects the gold content) supplied by the Group's supplier during the Year was a bit lower than that in FY2022 which resulted the drop in gross profit from the gold-laden carbon processing. This resulted in the overall gross profit margin to decrease from approximately 14.4% in FY2022 to 9.3% for the Year.

## **Other gain or loss, net**

The decrease of HK\$0.8 million in the Group's other gain or loss, net was mainly attributable to (i) the net gain on disposal of subsidiaries of HK\$1.7 million upon completion of the disposal, (ii) increase in interest income on bank deposits of HK\$0.7 million, and offset by (iii) the goodwill impairment amounted to HK\$0.4 million during the Year.

## **Administrative and other operating expenses**

The administrative and other operating expenses increased by approximately HK\$7.7 million or 50.2% from approximately HK\$15.3 million for FY2022 to approximately HK\$23.0 million for the Year. The increase was mainly attributable to (i) increase in staff costs as the gold ore processing business commenced operation during the Year; (ii) increase in impairment for deposits related to project suspended for long time and (iii) increase in impairment loss on an associate during the Year.

## **Finance costs**

The finance costs decreased by approximately HK\$0.4 million or 34.0% from approximately HK\$1.1 million for FY2022 to approximately HK\$0.7 million for the Year as all the loans have been repaid early in the Year.

## **Income tax expenses**

The income tax expenses increased from approximately HK\$4.2 million for FY2022 to approximately HK\$6.4 million for the Year, which was mainly due to the increase in profit before income tax derived from the gold processing and trading business.

## **Loss from discontinued operations**

During the Year, the Group has ceased the operations for outsourced business process management and money lending business. These discontinued operations recorded loss of approximately HK\$3.8 million during the Year (FY2022: approximately HK\$0.8 million).

## **Profit for the year**

As a result of the foregoing, the Group reported a net profit attributable to owners of the Company of approximately HK\$0.8 million for the Year (FY2022: HK\$2.0 million).

## **LIQUIDITY, FINANCIAL RESOURCES AND FOREIGN CURRENCY EXPOSURE**

As at 31 March 2023, the Group had bank and cash balances of approximately HK\$91.8 million (2022: approximately HK\$31.8 million).

During the year ended 31 March 2020, the Company entered into an unsecured loan agreement with an independent third party (the “Other Loan A”). Pursuant to the Other Loan A, 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. During the Year, the principal and the accrued interests were fully repaid.

During the year ended 31 March 2021, 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 RMB2,000,000 with fixed interest rate of 5% per annum and repayable on 11 May 2030. During the Year, the principal and the accrued interests were fully repaid.

During the year ended 31 March 2022, the Company entered into an unsecured loan agreement with an independent third party (the “Other Loan C”). Pursuant to the loan agreement, the principal amount of the loan is approximately US\$3,120,000 with fixed interest rate of 3% per annum and repayable on 27 April 2022. During the year ended 31 March 2022, 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. During the Year, the principal and the accrued interests were fully repaid.

As at 31 March 2023, all the Group’s loans and accrued interest had been repaid. 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.

The gearing ratio, which is calculated on the basis of the Group’s total loans to the total equity, as at 31 March 2023 was zero (2022: 38.5%).



## **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 2023, the total number of issued ordinary shares of the Company was 349,519,567 (2022: 139,807,827) at par value of HK\$0.01 each.

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

The 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\$67.2 million, which is proposed to be used for financing the costs of preparation work and construction work of the new processing plant (the “New Plant”) with designed annual processing capacity of 600,000 tonnes in Luanchuan County, Henan Province of the PRC.

## USE OF PROCEEDS FROM THE RIGHTS ISSUE

The net proceeds raised from the Rights Issue were approximately HK\$67.2 million. As allocated in accordance with the prospectus of the Company dated 27 May 2022 (the “Prospectus”), the net proceeds would be used to finance the costs of preparation and construction work of the New Plant. The intended and the actual use of the proceeds under the Rights Issue as of 31 March 2023 are set out below:

Items	Percentage	Intended use of proceeds <i>HK\$ '000</i>	Actual use of the proceeds from the date of completion of the Rights Issue to 31 March 2023 <i>HK\$ '000</i>	Remaining proceeds as of 31 March 2023 <i>HK\$ '000</i>	Expected timeline for the remaining proceeds to be utilised
			(Note)		
Costs of preparation work	4.6%	3,100	2,400	700	As at 31 December 2023
Costs of construction work	95.4%	64,100	–	64,100	As at 30 June 2024
Total	100.0%	67,200	2,400	64,800	

*Note:*

The unutilised proceeds of approximately HK\$64.8 million have been placed in licensed banks in Hong Kong and PRC and planned to be used as intended.

## MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

Save as mentioned herein, the Group did not have any other material acquisition, disposal and significant investment during the Year.

## PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 March 2023, the Group did not have any substantial pledge of assets and substantial contingent liabilities.

## CAPITAL COMMITMENTS

As at 31 March 2023, 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 2022: HK\$Nil).

## **FUTURE DEVELOPMENTS IN THE BUSINESS OF THE GROUP**

In face of the increasing uncertainties in the 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 expects the gold price will remain stably high and rise further in the coming few years, the Group will continue to focus on gold processing and trading as its core business, to diversify the Group into an industry with promising prospects. It is expected to broaden the Group's income stream and increase Shareholders' return.

Reference is made to the business update announcement of the Company dated 25 October 2022 (the "Announcement") in respect of the establishment of the new gold ore processing plant with designed annual processing capacity of 600,000 tonnes in Luanchuan County, Henan Province of the PRC (the "Henan New Plant"). As at the date of this announcement, the preparation works in respect of the Henan New Plant have been delayed mainly due to (i) the Group has not yet been able to identify any Qualifying Land (as defined in the Announcement) to undertake environmental rehabilitation works for the construction of the tailings dam for the Henan New Plant; and (ii) the use of land for the tailings dam for the Henan New Plant no longer falls within the approved applications for temporary land-use and 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. The Group is still awaiting response from the local government departments as it has not yet been able to identify any Qualifying Land and 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 Henan New Plant as 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 several gold processing plants located in Henan Province of the PRC and commenced gold processing operations during the Year. These leased gold processing plants generated a significant portion of revenue and profits for the gold processing and trading business of the Group during the Year. However, the establishment of the self-owned Henan New Plant is still the long-term goal of the Group as it can generate higher revenues for the Group and increase Shareholders' return.

As at the date of this announcement, the Group has not yet had a response from the relevant government departments of Henan Province and, as such, the Group is considering and assessing the possibility to establish the Henan New Plant in other locations, such as Yunnan Province. The Group is currently undertaking additional feasibility studies, preliminary preparation work and coordinating with relevant local government departments in Yunnan Province. However, such assessment is still in early stages and subject to various factors, including the results and progress of the aforesaid feasibility studies, preliminary preparation work and coordination with the relevant local government departments.

The Company is still considering its options and strategy in respect of (i) the aforementioned delays with the government departments in Henan Province and the possible change of location for the construction and establishment of the Henan New Plant; and (ii) any potential investment in, acquisition of or upgrades made to the leased plants, and no plans have been finalized as at the date of this announcement. The Board would also like to emphasize 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 construction and establishment of the Henan New Plant and the gold processing and trading business of the Group as and when necessary and in compliance with the relevant Listing Rules.

## **EMPLOYEES AND REMUNERATION POLICY**

The Group employed approximately 68 employees as at 31 March 2023 (2022: 60).

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 will be 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 FY2023.

## **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 encouraged staff to participate in charity activities in Hong Kong and the PRC. During FY2023, 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) High staff turnover rates particularly on key operational staff
- ii) 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.

## **EVENTS AFTER REPORTING PERIOD**

As stated in the announcement of the Company dated 27 April 2023, as ZHONGHUI ANDA CPA Limited ("ZHONGHUI ANDA") could not reach a consensus with the management on the audit fee for the audit of the Group's consolidated financial statements for the year ended 31 March 2023, ZHONGHUI ANDA has resigned as the auditor of the Group with effect from 26 April 2023. With the recommendation of the audit committee of the Company, CCTH CPA Limited has been appointed as the auditor of the Group with effect from 27 April 2023 to fill the casual vacancy following the resignation of ZHONGHUI ANDA and to hold office until the conclusion of the next annual general meeting of the Company.

Save as disclosed above, there were no material events affecting the Group that occurred from 31 March 2023 to the date of this announcement.

## **CONNECTED TRANSACTIONS**

During the Year, save as disclosed below, no other related party transaction disclosed to the consolidated financial statements constitutes a connected transaction or continuing connected transaction which should be disclosed pursuant to Chapter 14A of the Listing Rules. All the connected transactions and continuing connected transactions with disclosure requirements under the Listing Rules during the Year are listed below.

On 15 March 2022, the Company announced its proposal to issue 209,711,740 rights Shares ("Rights Share(s)") on the basis of three Rights Shares for every two Shares held on the record date at the subscription price of HK\$0.34 per Rights Share. The Rights Issue was only available to the qualifying shareholders, who must be registered as a member of the Company on the record date, and not be extended to the non-qualifying shareholders.

On 15 March 2022, the Company and Mr. LIU Shiwei (“Mr. Liu”), a substantial shareholder of the Company (“Underwriter”) entered into an underwriting arrangement (“Underwriting Agreement”) in respect of the Rights Issue. Mr. Liu, the Underwriter, is a substantial shareholder of the Company and therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transaction contemplated under the Underwriting Agreement constitute a connected transaction for the Company under the Listing Rules and are subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Pursuant to the Underwriting Agreement, the number of Rights Shares to be underwritten by the Underwriter was 134,543,171 Rights Shares. The underwriting commission was approximately HK\$457,000, being 1% of the aggregate subscription amount in respect of the number of Underwritten Shares committed to be subscribed by the Underwriter.

Subsequently, the resolutions approving the Rights Issue, the Underwriting Agreement and the placing agreement in relations to the Rights Issue were passed by the independent shareholders at the special general meeting of the Company on 16 May 2022 and completed on 27 June 2022.

Details of the Rights Issue and the Underwriting Agreement 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 prospectus dated 27 May 2022.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

## **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:

The roles of chairman (“Chairman”) and chief executive officer (the “CEO”) of the Company 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 of the Company jointly as the Co-CEO of the Company 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 of the Company during the period from 1 April 2022 to 13 July 2022 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.

Subsequently, on 13 July 2022, Mr. LIU Shiwei has been appointed as executive Director and Chairman while Mr. WANG Baozhi has been appointed as executive Director and CEO. For further details, please refer to the announcement of the Company of even date. The Company has complied with the Code Provision C.2.1 thereafter.

## **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 Dr. CHEUNG Ka Yue. The Audit Committee had reviewed the accounting principles and practices adopted by the Group, and had discussed auditing, internal control, risk management and financial reporting matters, including the review of the annual results for the financial year ended 31 March 2023, 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 CCTH 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 2023 as set out in this announcement have been agreed by the Group's auditors, CCTH CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2023. The work performed by CCTH 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 CCTH 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, 22 September 2023 ("2023 AGM").

The register of members of the Company will be closed during the period from Tuesday, 19 September 2023 to Friday, 22 September 2023, 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 2023 AGM. In order to be eligible to attend and vote at the 2023 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 18 September 2023.

**PUBLICATION OF THIS 2023 ANNUAL RESULTS ANNOUNCEMENT AND THE 2023 ANNUAL REPORT**

This annual results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and of the Company ([www.successdragonintl.com](http://www.successdragonintl.com)). The 2023 Annual Report containing all the information required by the Listing Rules will be published on the respective websites of the Stock Exchange and the Company and will be dispatched to the shareholders of the Company in due course.

By order of the Board  
**Success Dragon International Holdings Limited**  
**LIU Shiwei**  
*Chairman and Executive Director*

Hong Kong, 29 June 2023

*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.*