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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)

CHANGE IN USE OF PROCEEDS

References are made to (i) the prospectus of Success Dragon International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 27 May 2022 (the “**Prospectus**”); (ii) the announcement of the Company dated 24 June 2022 in relation to, among others, the results of the Rights Issue (the “**Announcement**”); (iii) the business update announcement (the “**Business Update Announcement**”) of the Company dated 25 October 2022; and (iv) the annual report for the year ended 31 March 2024 of the Company (the “**2023/24 Annual Report**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as defined in the Prospectus and the Business Update Announcement.

The Board would like to provide an update on the proposed change in use of proceeds from the Rights Issue.

CHANGE IN USE OF PROCEEDS

According to the Prospectus, the Company intended to apply the net proceeds from the Rights Issue (the “**Net Proceeds**”) to finance part of the costs of preparation work and construction work of the New Plant for expansion of its existing gold processing business operation. As stated in the Announcement, the net proceeds from the Rights Issue after deducting the relevant expenses were approximately HK\$66.5 million.

As stated in the 2023/24 Annual Report, as at 31 March 2024, a total of approximately HK\$3.1 million of the Net Proceeds had been utilised by the Group for the costs of preparation work of the New Plant. The unutilised Net Proceeds have been placed in licensed banks in Hong Kong and PRC. As at the date of this announcement, the remaining unutilised Net Proceeds amounted to approximately HK\$64.1 million (the “**Remaining Net Proceeds**”).

After careful consideration and detailed evaluation of the Group’s operations and the business strategies, the Board has resolved to change the use of the Remaining Net Proceeds with an updated expected timeline of full utilisation as follows:

Use of Net Proceeds	Planned use of Net Proceeds as at the date of the Announcement <i>HK\$'000</i>	Utilised amount of the Net Proceeds as at the date of this announcement <i>HK\$'000</i> <i>(Approximate)</i>	Unutilised amount of the Net Proceeds as at the date of this announcement <i>HK\$'000</i> <i>(Approximate)</i>	Revised allocation of unutilised amount of the Net Proceeds <i>HK\$'000</i> <i>(Approximate)</i>	Updated expected timeline of full utilisation of the balance
Costs of preparation work of the New Plant	3,100	3,100	–	–	N/A
Costs of construction work of the New Plant	64,100	–	64,100	–	N/A
Investment and upgrade in the leased plants	N/A	N/A	N/A	14,100	31 March 2025
Acquisition of machinery and equipment for the gold processing and trading business of the Group	N/A	N/A	N/A	35,000	31 March 2025
Working capital of the gold processing and trading business of the Group	N/A	N/A	N/A	15,000	31 March 2025
Total	<u>67,200</u>	<u>3,100</u>	<u>64,100</u>	<u>64,100</u>	

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

The Company is an investment holding company and the Group is principally engaged in the business of gold processing and trading.

As mentioned in the business update announcement (the “**Business Update Announcement**”) of the Company dated 25 October 2022 and in the 2023/24 Annual Report, the preparation works in respect of the New Plant was suspended as (i) the Group has not yet been able to identify any Qualifying Land (as defined in the Business Update Announcement) to undertake environmental rehabilitation works for the construction of the tailings dam for the New Plant; and (ii) the use of land for the tailings dam for the 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.

Throughout the lengthy communication and negotiation with the local government, there is no concrete construction proposal and formal agreement for the operating plant and tailings dam for the Group as at the date of this announcement. The construction plan has been suspended and fell behind from the original construction schedule. To proceed with the construction plan of the self-owned gold processing plant, the Group had been proactively considering and assessing the possibility to establish a new plant in Yunnan Province. As at the date hereof, the feasibility studies for the operating plant and tailings dam for the planned site in Yunnan Province has been completed, however the relevant land use pre-examination for the operating plant and tailings dam is still under negotiation with the local government in Yunnan Province.

Upon recent evaluation of the development progress and prospects of the New Plant, notwithstanding the continuous efforts having been spent by the Group in identifying Qualifying Land and to negotiate and coordinating with relevant local government departments, given that (1) the Group was unable to source suitable Qualifying Land which is essential for the construction of the New Plant within the original budget mainly due to the significant increase in the prevailing market price for the suitable Qualifying Land, such that the total construction cost for the New Plant will be significantly higher; and (2) the use of leased plants currently appears to be a more cost-effective option to the business operation of the Group, the Board considers that to insist pursuing the construction of New Plant would derive heavy financial burden and hinder the business development for the Company, and the Group shall devote its resources to develop and expand its existing gold processing and trading business. As a result, the Board has decided not to pursue the construction of the New Plant further for the time being but to reallocate the Remaining Net Proceeds to the expansion of the existing gold processing and trading business given that it is not likely for the Company to apply the relevant funds by the expected timeline.

In light of the above, the Remaining Net Proceeds will no longer be applied for the construction of the New Plant, and instead, will be applied by the Company for investment and upgrade in the leased plants, acquisition of machinery and equipment and also the working capital for the gold processing and trading business of the Group. The Board considers that such change of use of the Remaining Net Proceeds allows the Company to deploy its unallocated financial resources more flexibly and effectively and aligns with the current business needs of the Group and is in the interests of the Company and its shareholders as a whole.

Save as disclosed in this announcement, the Board does not anticipate any other change to the plan as to the use of the Remaining Net Proceeds.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 10 October 2024

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 Professor. CHEUNG Ka Yue.