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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)**

### **BUSINESS UPDATE**

#### **PROVISION OF OUTSOURCED MANAGEMENT SERVICES FOR GREYHOUND RACING BUSINESS IN VIETNAM**

The Group has entered into an agreement for the purpose of engaging in provision of the outsourced management services for greyhound racing business in Vietnam.

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

#### **THE MANAGEMENT AGREEMENT**

The board (the “**Board**”) of directors (the “**Directors**”) of Success Dragon International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce that on 29 April 2016 (after trading hours) Success Dragon Services Management Limited, a wholly-owned subsidiary of the Group (“**SDSM**”) has entered into an agreement (the “**Management Agreement**”) with Sports and Entertainment Services Joint Stock Company (“**SES**”), a foreign invested enterprise established in Vietnam for the purpose of engaging in provision of the outsourced management services for greyhound racing business in Vietnam.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, SES is a third party independent of the Company and its connected persons. SES has been engaging in the business of, among others, (i) importing, purchasing, breeding and training of greyhounds; (ii) owning, building and operating of a race course track venue with spectators at Lam Song Stadium in Ba Ria Vung Tau Province, Vietnam (the “**Stadium**”); (iii) opening of premises (the “**Outlets**”) for conducting the Racing Business (as defined below); (iv) organising meetings (races) for greyhounds at the Stadium; (v) operating an automatic totalisator system (tote board); (vi) marketing, offering, issuing, selling award winning tickets (wagers for pari-mutuel wagering at the Venues on pari-mutuel events) involving horse and greyhound races; and (vii) paying out awards to winning customers, in Ba Ria Vung Tau Province, Vietnam (collectively, the “**Racing Business**”).

Pursuant to the Management Agreement, subject to its terms and conditions, SDSM has been appointed by SES, on an exclusive basis, to manage part of the Racing Business which is restricted to the following businesses (collectively, the “**Outsourced Business**”):

1. scheduling and organising greyhound racing events (the “**Races**”) conducted and/or broadcasted both at the Stadium and at the Outlets (collectively, the “**Venues**”), either locally or through simulcast;
2. marketing for the Racing Business;
3. advertising and promoting the Stadium and the Outlets;
4. managing and operating the totalisator system and the racing system to be used for the Races;
5. offering, collecting, selling and settling wagers (including award winning tickets);
6. selecting locations for the Outlets, designing, fitting out and managing the Outlets;
7. managing the Stadium and the Outlets in good operating condition, including making all necessary capital improvements for the wagering areas at the Venues only;
8. managing adequate supplies, inventory and equipment at the Stadium and Outlets for the wagering areas only;
9. training of personnel for the Racing Business;
10. selection, promotion and supervision of executive staff (including a general manager) and service employees;
11. negotiating and entering for itself or on behalf of SES of the necessary operating agreements for the Racing Business including leasing and concession agreements, equipment leases and service leases for the Outlets and the wagering areas of the Stadium only;
12. international representation of SES for the Racing Business with other racing clubs and service providers; and
13. maintaining adequate finances for the Outsourced Business.

(the provision of management services by SDSM in relation to the conduct of activities listed under items 1 to 13 are collectively referred to as the “**Management Business**”).

The appointment is for an initial term of seven years from the date of the Management Agreement subject to an extension of another term (the duration of which shall be in accordance with the duration of the extension/renewal of the Investment Certificate (as defined below) of SES, but in any event it shall not exceed 10 years) upon the expiry of the initial term by mutual agreement in writing between SDSM and SES, unless terminated before the expiry of the initial term pursuant to the terms and conditions of the Management Agreement.

Pursuant to the Management Agreement, all the employees that work in the Venues for the operation of the Outsourced Business shall be employed by SES, save that SDSM may engage its own personnel to supervise such employees and procure that the Outsourced

Business is managed in accordance with the terms and conditions of the Management Agreement.

In consideration of the provision of the management services by SDSM, SDSM shall be entitled to a monthly management fee (the “**Management Fee**”) which is calculated as 7% of gross proceeds of all wagers taken or accepted by or for the account of SES in respect of the Races, inclusive of all gross proceeds arising from sale of award winning tickets for the Races of such month.

## **REGULATORY FRAMEWORK REGARDING THE RACING BUSINESS AND THE MANAGEMENT BUSINESS**

Immediately after the signing of the Management Agreement, the Group will be directly or indirectly engaged in the management of gambling activities in the Venues. To ensure that the management of such gambling activities by the Group complies with the applicable laws in the areas where such activities take place and does not contravene the Gambling Ordinance (Chapter 148 of the Laws of Hong Kong) (the “**Gambling Ordinance**”), the Group has obtained a Hong Kong legal opinion (the “**Hong Kong Legal Opinion**”) and a Vietnamese legal opinion (the “**Vietnamese Legal Opinion**”).

Having reviewed and considered the Hong Kong Legal Opinion, the Board is satisfied that the Management Business does not contravene the Gambling Ordinance.

Having reviewed and considered the Vietnamese Legal Opinion, the Board is satisfied that:

- (i) SES is legally entitled and authorised to and has all the expressed authority to operate the Racing Business in the Venues and to appoint SDSM to manage the Outsourced Business at the Venues;
- (ii) the operation of the Racing Business at the Venues by either or both SES and SDSM is legal in Vietnam and does not violate any laws and regulations in Vietnam;
- (iii) the Management Agreement is legal in Vietnam and does not violate any laws and regulations in Vietnam and is enforceable in Vietnam in accordance with its terms;
- (iv) according to the applicable laws and regulations in Vietnam, the Group is not required to obtain any pre-requisites/approvals in order for it to lawfully commence and conduct the Management Business in Vietnam and it could lawfully perform its obligations under the Management Agreement;
- (v) SDSM is not required to be licensed, registered or incorporated in Vietnam for the purpose of performing its obligations under the Management Agreement; and
- (vi) the Management Fee charged by SDSM is legal and enforceable under the laws and regulations in Vietnam.

Based on the Vietnamese Legal Opinion and to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the major regulatory framework of the Racing Business is as follows:

- (i) foreign investor, such as SES, which intends to invest in Vietnam to conduct business, including the Racing Business, must apply for an investment certificate (the “**Investment Certificate**”). Subject to the issue of all the relevant consents and confirmations in relation to the satisfaction of conditions pursuant to the relevant laws and regulations of Vietnam, an Investment Certificate will be issued to such foreign investor by the Office of the relevant Provincial People’s Committee in Vietnam;
- (ii) the holder of the Investment Certificate is required to comply with the requirements of anti-money laundering under the laws of Vietnam. In particular, an internal anti-money laundering policy has to be registered with the relevant authority in Vietnam at the time of application of the Investment Certificate. Having an anti-money laundering policy is sufficient to comply with the laws of Vietnam with regarding to anti-money laundering;
- (iii) the official of the relevant authority in Vietnam would visit the premises for operation of the business to verify and monitor the compliance of the holder of the Investment Certificate and may apply for sanctions against the holder if there is any non-compliance; and
- (iv) SES has been granted the Investment Certificate and it can legally conduct the Racing Business by itself or by outsourcing some of the Racing Business to third party.

#### **POTENTIAL RISK FACTORS REGARDING THE MANAGEMENT BUSINESS**

After reviewing the Vietnamese Legal Opinion and the nature of the Management Business based on the Management Agreement, the Directors consider that the Management Business include the following major potential risks:

- (i) *Risk of fraud or cheating by players:* it is possible that players in the Stadium and/or Outlets may commit fraud or attempt to cheat in order to increase winnings, at times in collusion with employees working in the Venues. Failure to discover such schemes in a timely manner could result in losses in the gaming operations. In addition, negative publicity arising from such schemes could have a material and adverse impact on the Group’s reputation, thereby adversely affecting the Company’s business, cash flow, financial condition, results of operations and prospects; and
- (ii) *Anti-money laundering policies and compliance with applicable anti-money laundering laws may not be sufficient in preventing the occurrence of money laundering activities at the Venues:* the gaming industry is prone to potential money laundering and other illegal activities and SES and the Group may not be able to completely prevent money laundering and other illegal activities from occurring in the course of conducting the Outsourced Business and the Management Business; and
- (iii) *Possible loss of the Management Business in the event of loss of the Investment Certificate or other sanctions against SES:* although the compliance with the conditions attached to the Investment Certificate and other legal requirements in relation to the Racing Business under the laws of Vietnam is the legal responsibility of SES and such responsibility would not be shifted to the Group because of the Management Agreement, any failure of compliance by SES may lead to sanction against SES and may lead to the loss of the Investment Certificate

or the Racing Business. The Investment Certificate is fundamental to the operation of the Racing Business, and therefore the Management Business. Any loss of the Investment Certificate may in turn lead to the loss of the Management Business by the Group which can affect the income of the Group.

Shareholders and potential investors of the Company should be aware that should the Group directly or indirectly be engaged in gambling activities and operation of such gambling activities (i) fail to comply with the applicable laws in the areas where such activities operate and/or (ii) contravene the Gambling Ordinance, the Company or its business may be considered unsuitable for listing under Rule 8.04 of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Depending on the circumstance of the case, the Stock Exchange may direct the Company to take remedial action, and/or may suspend dealings in, or may cancel the listing of, the shares of the Company pursuant to Rule 6.01 of the Listing Rules.

### **REASONS AND BENEFITS FOR ENTERING INTO OF THE MANAGEMENT AGREEMENT**

Reference is made to the announcements (the “**Announcements**”) of the Company dated 13 October 2015 and 23 November 2015 in relation to the entering into of three agreements by the Group for the provision of racing system for greyhound and horse races in Vietnam. As set out in the Announcements, the Group has been reviewing its existing business and identifying areas of possible expansion and is prepared to expand its presence into Vietnam. The Directors consider that the entering into of the Management Agreement would further reinforce the Group’s strategy to focus on its core business as a gaming solution and service provider and would enable the Group to capture the business opportunities in the gaming industry in Vietnam and to broaden its income stream.

The Directors also consider that the transactions contemplated under the Management Agreement are in the ordinary and usual course of business of the Group and the terms of the Management Agreement are on normal commercial terms which are fair and reasonable and in the interests of the Company and its shareholders as a whole.

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

By order of the Board  
**Success Dragon International  
Holdings Limited**  
**Carlos Luis Salas Porrás**  
*Chairman and executive Director*

Hong Kong, 29 April 2016

*As at the date of this announcement, the executive Directors are Mr. Carlos Luis SALAS PORRAS and Mr. GOH Hoon Leum; the independent non-executive Directors are Mr. YONG Peng Tak, Mr. ER Kwong Wah and Mr. LEUNG Po Hon.*