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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

The board of directors (the “Board”) of Success Dragon International Holdings Limited (the “Company”) announces that the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2016 (the “Period”) together with the comparative figures for the corresponding period are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2016

| | | Six months ended 30 September | |
|--------------------------------|--------------|--|--------------------|
| | | 2016 | 2015 |
| | | HK\$'000 | HK\$'000 |
| | <i>Notes</i> | (Unaudited) | (Unaudited) |
| Revenue | 4 | 81,692 | 79,681 |
| Cost of revenue | | (57,200) | (60,336) |
| Gross profit | | 24,492 | 19,345 |
| Other income | 5 | 3,739 | 6,356 |
| Other gains and losses | 6 | 642 | (38,410) |
| Selling and distribution costs | | (2,165) | (2,972) |
| Administrative expenses | | (51,281) | (75,443) |
| Other expenses | 6 | (4,873) | (50,405) |
| Finance costs | 7 | (769) | (3,658) |
| Loss before tax | 8 | (30,215) | (145,187) |
| Income tax credit | 9 | – | 4,914 |

| | Six months ended | |
|--|-------------------------|-------------|
| | 30 September | |
| | 2016 | 2015 |
| | HK\$'000 | HK\$'000 |
| <i>Notes</i> | (Unaudited) | (Unaudited) |
| Loss for the period | (30,215) | (140,273) |
| Other comprehensive income (expense): | | |
| <i>Items that may be reclassified to profit or loss:</i> | | |
| Exchange differences on translating foreign operations | 764 | 14 |
| Cumulative exchange difference recycled to profit or loss upon de-registration of a subsidiary | (1,061) | – |
| | <hr/> | <hr/> |
| Other comprehensive (expense) income for the period | (297) | 14 |
| | <hr/> | <hr/> |
| Total comprehensive expense for the period | (30,512) | (140,259) |
| | <hr/> <hr/> | <hr/> <hr/> |
| Loss for the period attributable to: | | |
| Owners of the Company | (29,279) | (140,273) |
| Non-controlling interests | (936) | – |
| | <hr/> | <hr/> |
| | (30,215) | (140,273) |
| | <hr/> <hr/> | <hr/> <hr/> |
| Total comprehensive expense for the period attributable to: | | |
| Owners of the Company | (29,576) | (140,259) |
| Non-controlling interests | (936) | – |
| | <hr/> | <hr/> |
| | (30,512) | (140,259) |
| | <hr/> <hr/> | <hr/> <hr/> |
| Loss per share (HK cents per share) | | |
| Basic and diluted | <i>10</i> (1.73) | (10.89) |
| | <hr/> <hr/> | <hr/> <hr/> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

| | | 30 September 2016 <i>HK\$'000</i> (Unaudited) | 31 March 2016 <i>HK\$'000</i> (Audited) |
|--|--------------|--|--|
| | <i>Notes</i> | | |
| Non-current assets | | | |
| Property, plant and equipment and intangible assets | <i>12</i> | 117,520 | 43,968 |
| Deposits for acquisition of property, plant and equipment and intangible assets | | 8,870 | 90,646 |
| | | 126,390 | 134,614 |
| Current assets | | | |
| Inventories | | 147 | 449 |
| Trade and other receivables | <i>13</i> | 21,708 | 9,734 |
| Deposits and prepayments | | 8,869 | 7,182 |
| Bank and cash balances | | 21,391 | 28,136 |
| | | 52,115 | 45,501 |
| Current liabilities | | | |
| Trade and other payables | <i>14</i> | 15,125 | 8,230 |
| Convertible notes | <i>15</i> | – | 10,438 |
| | | 15,125 | 18,668 |
| Net current assets | | 36,990 | 26,833 |
| Total assets less current liabilities | | 163,380 | 161,447 |
| Non-current liability | | | |
| Shareholder's loan | <i>16</i> | 16,584 | – |
| NET ASSETS | | 146,796 | 161,447 |

| | | 30 September | 31 March |
|--|--------------|------------------------------|------------------------------|
| | | 2016 | 2016 |
| | | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | <i>Notes</i> | (Unaudited) | (Audited) |
| Capital and reserves | | | |
| Share capital | <i>17</i> | 17,606 | 16,865 |
| Reserves | | <u>130,222</u> | <u>144,678</u> |
| Equity attributable to owners of the Company | | 147,828 | 161,543 |
| Non-controlling interests | | <u>(1,032)</u> | <u>(96)</u> |
| TOTAL EQUITY | | <u><u>146,796</u></u> | <u><u>161,447</u></u> |

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability under the Bermuda Companies Act. The address of the registered office and the principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Unit 3503B-5, 35/F., 148 Electric Road, North Point, Hong Kong, respectively. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The principal activities of the Group are the provision of services on outsourced business process management in Macau and Vietnam, trading of packaging products for luxury goods and the provision of information technology services in Vietnam.

The functional currency of the group entities refers to the currency of the primary economic environment in which the group entities operate. The Company applies Macau Pataca (“MOP”) for its group entities which were engaged in the Outsourced Business Process Management (as defined in note 4) in Macau, Vietnam Dong (“VND”) in the outsourced business process management and information technology services in Vietnam and Hong Kong Dollar (“HK\$”) in the packaging products business as their respective functional currencies.

The condensed consolidated financial statements are presented in HK\$, which is considered more relevant as the shares of the Company are listed on the Stock Exchange, and also the functional currency of the Company.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

3. PRINCIPAL ACCOUNTING POLICIES

3A. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements for the six months ended 30 September 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

| | |
|--------------------------------------|---|
| Amendments to HKAS 1 | Disclosure Initiative |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2012-2014 Cycle |

The application of the above amendments to HKFRSs in the current interim period has no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3B. Critical Accounting Judgments

The following is the critical judgement that directors of the Company (the "Directors") have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the condensed consolidated financial statements.

Revenue and cost of revenue of outsourced business process management for electronic gaming machines

In applying critical judgements of accounting presentation, the Directors consider that the Group has exposure to the significant risks and rewards associated with the provision of management services, including, among things, the installation and servicing of the slot machines in the casinos and other gaming areas in Macau where (i) the Group has the primary responsibility for providing the electronic gaming machine services to the customers; (ii) the Group has latitude in establishing prices; and (iii) the Group has to provide minimum guarantee to casino operator/owner. Accordingly, the Directors consider that the Group is the principal in providing the such services in Macau, and the related revenue is therefore recognised on a gross basis, and the amounts allocated to casino owner and license holder and the related tax and other direct expenses is treated as cost of revenue.

4. REVENUE AND SEGMENT INFORMATION

The reportable segments have been identified on the basis of internal management reports prepared in accordance with accounting policies conforming to HKFRSs that are regularly reviewed by the executive Directors, who are identified as the chief operating decision maker (the “CODM”), for the purpose of allocating resources to segments and assessing their performance.

During the current interim period, the Group expanded its business in Vietnam through the provision of the management services for greyhound racing business (known as the “Racing Management”), which was part of the Group’s outsourced business process management. Secondly, in the second half for the year 2015/2016, the Group commenced the provision of information technology services in relation to the installation, management and maintenance of terminals, screens and smart devices for the betting outlets in Vietnam.

The Group has three (for the six months ended 30 September 2015: two) reportable segments as follows.

- (1) Provision of management services including among things, the installation and servicing of the slot machines in the casinos and other gaming areas in Macau and Racing Management in Vietnam (for the six months ended 30 September 2015: provision of management services including among things, the installation and servicing of the slot machines in the casinos and other gaming areas in Macau) (collectively known as the “Outsourced Business Process Management”);
- (2) Trading of packaging products for luxury goods (known as the “Packaging Products Business”); and
- (3) Provision of information technology services (including the provision of hardware, equipment and devices and software systems) to the Vietnam parimutuel sector (known as the “Information Technology Services”).

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.

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

For the six-month period ended 30 September 2016

| | Outsourced Business Process Management <i>HK\$'000</i> (Unaudited) | Packaging Products Business <i>HK\$'000</i> (Unaudited) | Information Technology Services <i>HK\$'000</i> (Unaudited) | Total <i>HK\$'000</i> (Unaudited) |
|--|---|---|---|---|
| REVENUE | | | | |
| External sales | 64,034 | 9,332 | 8,326 | 81,692 |
| Inter-segment sales (<i>note</i>) | - | - | 893 | 893 |
| Segment revenue | 64,034 | 9,332 | 9,219 | 82,585 |
| Eliminations | | | | (893) |
| Group revenue | | | | 81,692 |
| Segment (loss)profit | (1,952) | 1,401 | (10,044) | (10,595) |
| Unallocated income | | | | |
| Interest income | | | | 3 |
| Unallocated expenses | | | | |
| Finance costs | | | | (769) |
| Share-based payments | | | | (1,062) |
| Other unallocated and corporate expenses | | | | (17,792) |
| Loss before tax | | | | (30,215) |

Note: Inter-segment sales are charged at prevailing market prices.

For the six-month period ended 30 September 2015

| | Outsourced Business Process Management <i>HK\$'000</i> (Unaudited) | Packaging Products Business <i>HK\$'000</i> (Unaudited) | Total <i>HK\$'000</i> (Unaudited) |
|---|---|---|---|
| REVENUE | | | |
| External sales | 57,049 | 22,632 | 79,681 |
| Segment loss | <u>(96,504)</u> | <u>(10,813)</u> | <u>(107,317)</u> |
| Unallocated income | | | |
| Interest income | | | 26 |
| Settlement sum in respect of a legal proceeding | | | 400 |
| Unallocated expenses | | | |
| Finance costs | | | (3,658) |
| Share-based payments | | | (24,623) |
| Other unallocated and corporate expenses | | | <u>(10,015)</u> |
| Loss before tax | | | <u><u>(145,187)</u></u> |

There are no inter-segment revenue between the reportable segments for the six months ended 30 September 2015.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment loss/profit represents the loss made or profit earned of each segment without allocation of interest income, settlement sum in respect of a legal proceeding, finance costs, share-based payments and other unallocated and corporate expenses. This is the measure reported to the CODM of the Group for the purposes of resource allocation and assessment of segment performance.

The following is an analysis of the Group's assets and liabilities by reportable segment:

| | At 30 September 2016 <i>HK\$'000</i> (Unaudited) | At 31 March 2016 <i>HK\$'000</i> (Audited) |
|--|---|--|
| Segment assets | | |
| Outsourced Business Process Management | 42,431 | 34,509 |
| Packaging Products Business | 2,713 | 1,805 |
| Information Technology Services | <u>108,205</u> | <u>107,644</u> |
| Total segment assets | 153,349 | 143,958 |
| Other unallocated assets | <u>25,156</u> | <u>36,157</u> |
| Consolidated assets | <u>178,505</u> | <u>180,115</u> |
| Segment liabilities | | |
| Outsourced Business Process Management | 8,662 | 4,413 |
| Packaging Products Business | 781 | 1,312 |
| Information Technology Services | <u>3,600</u> | <u>1,083</u> |
| Total segment liabilities | 13,043 | 6,808 |
| Other unallocated liabilities | <u>18,666</u> | <u>11,860</u> |
| Consolidated liabilities | <u>31,709</u> | <u>18,668</u> |

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

- all assets are allocated to reportable segments other than bank balances and cash and assets related to the centrally-operated subsidiaries; and
- all liabilities are allocated to reportable segments other than shareholder's loan, convertible notes and liabilities related to the centrally-operated subsidiaries.

5. OTHER INCOME

| | Six months ended | |
|---|-------------------------|-------------|
| | 30 September | |
| | 2016 | 2015 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Interest income | 3 | 26 |
| Management fee income (<i>note</i>) | 3,155 | 3,217 |
| Rental income | – | 303 |
| Compensation received from suppliers | – | 2,096 |
| Settlement sum in respect of a legal proceeding | – | 400 |
| Others | 581 | 314 |
| | 3,739 | 6,356 |

Note: The Company provided daily management service in respect of the information technology related services for Weike (G) Management Pte Ltd (“Weike Pte”) in Macau and the management fee was charged at predetermined amounts agreed between both parties. Weike Pte is ultimately controlled by Dato Poh Po Lian (“Dato Poh” and the “Former Single Largest Shareholder” of the Group) as at 31 March 2015. Luck Continent Limited (a company controlled by Dato Poh) disposed of its holding of the 321,626,412 shares of the Company, representing approximately 24.26% of the issued share capital of the Company on 11 June 2015. In addition, on the same date Dato Poh resigned as an executive director and chairman of the Company and Weike Pte was then no longer a related party to and Dato Poh was no longer a key management personnel of the Group and the transaction with Weike Pte was no longer a related party transaction since then. Such management service agreement with Weike Pte expired on 30 September 2016 and is subject to renewal upon expiry.

6. OTHER GAINS AND LOSSES AND OTHER EXPENSES

| | Six months ended | |
|---|------------------|-----------------|
| | 30 September | |
| | 2016 | 2015 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Other gains and losses | | |
| Net foreign exchange (loss) gain | (1,115) | 561 |
| Gain on de-registration of a subsidiary (<i>note i</i>) | 1,061 | – |
| Impairment loss of property, plant and equipment (<i>note 12</i>) | – | (4,247) |
| Impairment loss of intangible assets (<i>note 12</i>) | – | (34,753) |
| Gain on disposal of property, plant and equipment | 683 | 189 |
| Others | 13 | (160) |
| | <u>642</u> | <u>(38,410)</u> |
| Other expenses | | |
| Professional fee (<i>note ii</i>) | (4,873) | (2,174) |
| Impairment of goodwill (<i>note iii</i>) | – | (48,231) |
| | <u>(4,873)</u> | <u>(50,405)</u> |
| | <u>(4,231)</u> | <u>(88,815)</u> |

Notes:

- (i) The gain on the de-registration of the Group's subsidiary, Kingbox (Huizhou) Manufactory Limited, represented the cumulative exchange difference recycled from foreign currency translation reserve to profit or loss upon the completion of the de-registration procedures during the current interim period.

- (ii) This amount mainly represented the professional fee incurred for the Group's intended acquisition of a five-star hotel and land in Vietnam, which was finally terminated during the current interim period, and other routine professional service fee in the periods presented.
- (iii) During the six months ended 30 September 2015, the Group recognised an impairment loss of HK\$48,231,000 in relation to the goodwill arising from the Group's prior acquisition of SD Advance Management Limited (formerly known as CY Management Limited) ("SDAM"), a wholly-owned subsidiary of the Group after the acquisition which was engaged in the Outsourced Business Process Management business in Macau. The Directors, with the assistance of the independent professional valuer, recognised the impairment loss with reference to the value-in-use calculations relating to the estimation of future cash flows which include budgeted sales and gross margin, such estimation is based on SDAM's past performance and management's expectations for market development. The discount rate adopted in the value-in-use calculations was 14.54%.

7. FINANCE COSTS

| | Six months ended | |
|---|-------------------------|-------------|
| | 30 September | |
| | 2016 | 2015 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Effective interests on convertible notes (<i>note 15</i>) | 714 | 3,658 |
| Imputed interest expenses arising from the non-current interest-free shareholder's loan (<i>note 16</i>) | 55 | – |
| | 769 | 3,658 |

8. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

| | Six months ended | |
|--|------------------|---------------|
| | 30 September | |
| | 2016 | 2015 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Cost of inventories recognised as expenses (<i>note</i>) | 7,299 | 17,191 |
| Depreciation and amortisation | 12,487 | 14,552 |
| Operating lease payment in respect of rented premises | 3,132 | 3,144 |
| Directors' remuneration | 3,398 | 17,652 |
| Staff costs (including Directors' remuneration): | | |
| Salaries, allowances and other benefits in kind | 19,652 | 26,606 |
| Recognition of share-based payments | 1,062 | 24,623 |
| Retirement benefit scheme contributions | 522 | 1,230 |
| Total staff costs | <u>21,236</u> | <u>52,459</u> |

Note: Cost of inventories recognised as expenses included the inventory written-off of HK\$261,000 (for the six months ended 30 September 2015: nil) (included in cost of revenue) for the current interim period.

9. INCOME TAX CREDIT

| | Six months ended | |
|---|------------------|-----------------|
| | 30 September | |
| | 2016 | 2015 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Current tax – PRC Enterprise Income Tax | – | 13 |
| Deferred tax credit (<i>note</i>) | – | (4,927) |
| | <u>–</u> | <u>(4,914)</u> |

Note: Deferred tax credit for the six months ended 30 September 2015 was related to the reversal of the deferred tax liabilities arising from the valuation of intangible assets generated from the Group's previous acquisition of SDAM accounting for as a business combination, since the corresponding intangible assets had been fully impaired during the six months ended 30 September 2015.

No provision for Hong Kong profits tax is required since the Group has no assessable profit for the six months ended 30 September 2016 and had sufficient tax losses brought forward to set off against assessable profit for the six months ended 30 September 2015. Tax arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. Macau Complementary Tax is calculated at a progressive rate from 9% to 12% on the estimated assessable profit for both periods. No provision for Macau Complementary Tax is required as the Company's subsidiary in Macau incurred tax losses for both periods. 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 is 25% for both periods.

For those subsidiaries which has commenced business in Vietnam since the second half of the year ended 31 March 2016, the tax rate is 20% for the current interim period.

10. LOSS PER SHARE – BASIC AND DILUTED

The calculation of the basic loss per share attributable to owners of the Company is based on the following data:

| | Six months ended | |
|---|-------------------------|-------------------------|
| | 30 September | |
| | 2016 | 2015 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Loss | | |
| Loss for the period attributable to owners of the Company for the purposes of basic loss per share | <u><u>29,279</u></u> | <u><u>140,273</u></u> |
| Number of shares | | |
| Weighted average number of ordinary shares for the purposes of basic loss per share | <u><u>1,693,084</u></u> | <u><u>1,288,626</u></u> |

The diluted loss per share is the same as the basic loss per share for both periods as the exercise of the Company's outstanding convertible notes and share options for the period would be anti-dilutive.

11. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2016 and 2015.

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the six months ended 30 September 2016, the Group had additions to property, plant and equipment and intangible assets of approximately HK\$90,792,000 (six months ended 30 September 2015: HK\$545,000), of which HK\$86,984,000 (six months ended 30 September 2015: nil) was transferred from the deposits previously placed for the acquisition of property, plant and equipment and intangible assets upon the completion of successful installation.

In addition, during the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of HK\$4,688,000 (six months ended 30 September 2015: HK\$435,000) for a total sum of cash consideration of HK\$12,000 (six months ended 30 September 2015: HK\$624,000) as well as consideration receivable for disposal of property, plant and equipment of HK\$ 5,359,000 (*note 13*), resulting in a gain on disposal of HK\$683,000 (six months ended 30 September 2015: HK\$189,000).

There was no impairment recognised for property, plant and equipment and intangible assets for the current interim period, while impairment loss of HK\$4,247,000 and HK\$34,753,000 were respectively recognised during the six months ended 30 September 2015 in respect of the electronic gaming machines and systems included in property, plant and equipment, and the intangible assets with finite useful life relating to the Group's supply and maintenance agreements of one of the operating sites of the Group's Outsourced Business Process Management in Macau, since the Directors considered these related assets were impaired, which was assessed with the assistance of the independent professional valuer, with reference to the value-in-use calculations relating to the estimation of future cash flows which include budgeted sales and gross margin. Such estimation is based on SDAM's past performance and management's expectations for market development. The discount rate adopted in the value-in-use calculations was 14.54%.

13. TRADE AND OTHER RECEIVABLES

| | 30 September 2016 HK\$'000 (Unaudited) | 31 March 2016 HK\$'000 (Audited) |
|---|---|---|
| Trade receivables | 13,501 | 4,653 |
| <i>Less:</i> Allowance for doubtful debts | <u>—</u> | <u>—</u> |
| | <u>13,501</u> | <u>4,653</u> |
| Other receivables | | |
| Value added tax ("VAT") receivables | 127 | 1,034 |
| Consideration receivable for disposal of property, plant and equipment (<i>note i</i>) | 5,359 | — |
| Others (<i>note ii</i>) | 2,721 | 4,047 |
| | <u>8,207</u> | <u>5,081</u> |
| | <u>21,708</u> | <u>9,734</u> |

Notes: (i) The amount as at 30 September 2016 represented the consideration receivable for the disposal of property, plant and equipment and shall be payable by the purchaser by 12 equal monthly installments starting from September 2016.

(ii) The amount mainly represented the receivables from an independent third party amounting to HK\$1,550,000 (31 March 2015: HK\$1,938,000) arising from a previous legal proceeding as published and detailed in the 2012/2013 annual report. The Group assessed the historical settlement record of the independent third party and was satisfied that the settlement was made according to the deed of settlement entered into and therefore, no provision for doubtful debt was required at the end of the reporting period.

(a) The Group grants a credit period normally ranging from 0 to 30 days (31 March 2016: from 0 to 30 days) to its customers for Outsourced Business Process Management, 0 to 45 days (31 March 2016: from 0 to 45 days) for Packaging Products Business and 0 to 90 days (31 March 2016: from 0 to 90 days) for Information Technology Services. For those customers who have established good relationships with the Group, the credit period may be extended to 120 days.

(b) The following is an aging analysis of the trade receivables, presented based on invoice date, which is approximately the revenue recognition date.

| | 30 September 2016 HK\$'000 (Unaudited) | 31 March 2016 HK\$'000 (Audited) |
|----------------|---|---|
| Within 60 days | 8,310 | 4,548 |
| 61 – 90 days | 2,231 | 105 |
| 91 – 180 days | 2,930 | – |
| 181 – 365 days | 30 | – |
| | 13,501 | 4,653 |

14. TRADE AND OTHER PAYABLES

| | 30 September | 31 March |
|--------------------------------------|------------------------|------------------------|
| | 2016 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Audited) |
| Trade payables | <u>4,424</u> | <u>3,107</u> |
| Payables for professional fee | 1,911 | 1,235 |
| VAT and other tax payables | 820 | 125 |
| Deposits and receipt in advance | 2,472 | 946 |
| Accrued expenses | 3,812 | 1,650 |
| Payroll and social insurance payable | 35 | 510 |
| Others | <u>1,651</u> | <u>657</u> |
| | <u>10,701</u> | <u>5,123</u> |
| | <u>15,125</u> | <u>8,230</u> |

The following is an aging analysis of the trade payables, presented based on issue date, at the end of the periods:

| | 30 September | 31 March |
|----------------|------------------------|------------------------|
| | 2016 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Audited) |
| Within 60 days | 799 | 1,503 |
| 61 – 90 days | 495 | 1,426 |
| 91 – 180 days | 736 | – |
| 181 – 365 days | 2,254 | 178 |
| Over 365 days | <u>140</u> | <u>–</u> |
| | <u>4,424</u> | <u>3,107</u> |

15. CONVERTIBLE NOTES

The convertible notes with the nominal value of HK\$69,000,000 (the “Notes”) were issued to Weike Pte (*as defined in Note 5*), as the full consideration for acquisition of 100% interest in SDAM on 16 September 2013.

The convertible notes are convertible to ordinary shares of the Company at any time between the date of issue and 16 September 2016 (the “Maturity Date”).

The convertible notes born coupon interest of 3% per annum and payable semi-annually.

Convertible notes with cumulative nominal value of HK\$58,000,000 were converted into 386,666,667 ordinary shares with a conversion price of HK\$0.15 for each share up to the year ended 31 March 2016. Convertible notes with a nominal value of HK\$11,000,000 were converted into 73,333,333 ordinary shares with a conversion price of HK\$0.15 for each share on the Maturity Date during the six months ended 30 September 2016.

All convertible notes had been converted into ordinary shares as at 30 September 2016.

The movements of the liability component of the Group’s convertible notes during the six months ended 30 September 2016 are as follows:

| | Liability component at amortised cost HK\$'000 | Convertible note equity reserve HK\$'000 | Total HK\$'000 |
|--|---|---|---------------------------|
| Carrying amount as at 1 April 2015 (audited) | 52,321 | 49,928 | 102,249 |
| Effective interest expense charged for the period | 3,658 | – | 3,658 |
| Converted during the period | (26,240) | (23,917) | (50,157) |
| Coupon interest paid during the period | (844) | – | (844) |
| | <hr/> | <hr/> | <hr/> |
| Carrying amount as at 30 September 2015 (unaudited) | 28,895 | 26,011 | 54,906 |
| Effective interest expense charged for the period | 1,695 | – | 1,695 |
| Converted during the period | (19,786) | (17,153) | (36,939) |
| Coupon interest paid during the period | (366) | – | (366) |
| | <hr/> | <hr/> | <hr/> |
| Carrying amount as at 1 April 2016 (audited) | 10,438 | 8,858 | 19,296 |
| Effective interest expense charged for the period | 714 | – | 714 |
| Converted during the period | (11,000) | (8,858) | (19,858) |
| Coupon interest paid during the period | (152) | – | (152) |
| | <hr/> | <hr/> | <hr/> |
| As at 30 September 2016 (unaudited) | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

The interest charged on the liability component of the convertible notes for the period is calculated by applying the effective interest rate of 15.3% (for the six months ended 30 September 2015: 15.3%) per annum.

16. SHAREHOLDER'S LOAN

During the current interim period, the Group obtained an unsecured and unguaranteed interest-free loan with a principal amount of HK\$20,000,000 from its substantial shareholder, namely Mr. Yong Khong Yoong Mark (the "Shareholder's Loan"), which will mature and become repayable on 30 September 2018. The Shareholder's Loan was carried at amortised cost using the effective interest method. The effective interest applied was 10% per annum. The difference of the principal and the fair value of the loan at initial recognition amounting to HK\$3,471,000 was credited as deemed capital contribution from the Shareholder in equity.

The proceeds from the Shareholder's Loan were used to fund working capital for the Group's general operation.

17. SHARE CAPITAL

| | Notes | No. of shares '000 (Unaudited) | Amount HK\$'000 (Unaudited) |
|---|-------|--------------------------------------|-----------------------------------|
| <i>Authorised:</i> | | | |
| As at 1 April 2015, 30 September 2015, 1 April 2016 and 30 September 2016 – Ordinary shares of HK\$0.01 each | | 30,000,000 | 300,000 |
| <i>Issued and fully paid:</i> | | | |
| As at 1 April 2015 (audited) | | 1,105,123 | 11,051 |
| Issue of ordinary shares upon conversion of convertible notes | (a) | 198,000 | 1,980 |
| Issue of ordinary shares upon exercise of share options | (b) | 5,380 | 54 |
| Issue of shares upon placement | (c) | 220,700 | 2,207 |
| As at 30 September 2015 (unaudited) | | 1,529,203 | 15,292 |
| Issue of ordinary shares upon conversion of convertible notes | (a) | 142,000 | 1,420 |
| Issue of ordinary shares upon exercise of share options | (b) | 15,300 | 153 |
| As at 31 March 2016 (audited) | | 1,686,503 | 16,865 |
| Issue of ordinary shares upon conversion of convertible notes | (a) | 73,333 | 733 |
| Issue of ordinary shares upon exercise of share options | (b) | 790 | 8 |
| As at 30 September 2016 (unaudited) | | 1,760,626 | 17,606 |

Notes:

- (a) During the year ended 31 March 2016, convertible notes with a principal amount totalling HK\$51,000,000 were converted into 340,000,000 ordinary shares at par value of HK\$0.01 each at the conversion price of HK\$0.15 for each share, resulting in HK\$3,400,000 and HK\$83,696,000 recorded in share capital and share premium, respectively.

During the six months ended 30 September 2016, convertible notes with a principal amount of HK\$11,000,000 were converted into 73,333,333 ordinary shares at par value of HK\$0.01 each at the conversion price of HK\$0.15 for each share, resulting in HK\$733,000 and HK\$19,125,000 recorded in share capital and share premium, respectively.

- (b) During the year ended 31 March 2016, the subscription rights attaching to 13,630,000, 5,800,000, 1,050,000 and 200,000 share options were exercised at the corresponding subscription price of HK\$0.415, HK\$0.47, HK\$0.92 and HK\$1.08 per share, resulting in the issue of 13,630,000, 5,800,000, 1,050,000 and 200,000 additional ordinary shares at par value of HK\$0.01 each for a total cash consideration of approximately HK\$9,565,000, resulting in HK\$207,000 and HK\$14,750,000 recorded in share capital and share premium, respectively.

During the six months ended 30 September 2016, the subscription rights attaching to 200,000, 170,000 and 420,000 share options were exercised at the subscription price of HK\$0.415 per share, resulting in the issue of 790,000 additional ordinary shares at par value of HK\$0.01 each for a total cash consideration of HK\$328,000, resulting in HK\$8,000 and HK\$481,000 recorded in share capital and share premium, respectively.

- (c) On 25 May 2015, the Company and Haitong International Securities Company Limited, an independent third party, entered into a placing agreement in respect of the placement of 220,700,000 ordinary shares at par value of HK\$0.01 each to certain independent investors at a price of HK\$0.605 per share, totalling HK\$133,524,000. The placement was completed on 3 June 2015 and the premium on the issue of shares amounting to HK\$130,639,000 (net of share issue expense of approximately HK\$678,000) was credited to share premium.

18. SHARE-BASED PAYMENTS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 28 September 2012 and amended on 8 August 2014 for the primary purpose of providing incentives to the eligible participants, and unless otherwise cancelled or amended, will expire on 8 August 2024.

The table below discloses the movement of the Company's share options held by the eligible participants:

| | Number of share options |
|--|------------------------------------|
| Outstanding as at 1 April 2015 (audited) | 69,490,000 |
| Granted during the period | 56,270,000 |
| Exercised during the period | (5,380,000) |
| Lapsed during the period | <u>(12,500,000)</u> |
| Outstanding as at 30 September 2015 (unaudited) | 107,880,000 |
| Granted during the period | 32,300,000 |
| Exercised during the period | (15,300,000) |
| Lapsed during the period | <u>(17,080,000)</u> |
| Outstanding as at 1 April 2016 (audited) | 107,800,000 |
| Exercised during the period | (790,000) |
| Lapsed during the period | <u>(6,920,000)</u> |
| Outstanding as at 30 September 2016 (unaudited) | <u>100,090,000</u> |

The weighted average closing price of the Company's shares immediately before the date on which the options were exercised was HK\$0.950 for the current interim period (for the six months ended 30 September 2015: HK\$0.666).

19. RELATED PARTY TRANSACTIONS

(a) Related party transactions

Saved as disclosed elsewhere in the condensed consolidated financial statements, during the period, the Group had the following significant transactions with related parties.

| | <i>Notes</i> | Six months ended | |
|---|--------------------------------------|-------------------------|-------------|
| | | 30 September | |
| | | 2016 | 2015 |
| | | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Unaudited) |
| Management fee received from Weike Pte <i>(as defined in Note 5)</i> | <i>(i), (iii)</i> | — | 1,220 |
| Technical support service fee and maintenance fee paid to Weike Gaming Technology (S) Pte Limited ("Weike Gaming") | <i>(i), (ii)</i> <i>and (iii)</i> | — | (165) |
| Services income received from Weike Gaming | <i>(ii), (iii)</i> | — | 55 |

Notes:

- (i) The management fee and technical support service fee were charged at predetermined amounts agreed between the parties involved.
- (ii) The terms of service income are charged at predetermined amounts agreed between the parties involved.
- (iii) Weike Pte and Weike Gaming were companies ultimately controlled by the Former Single Largest Shareholder *(as defined in note 5)*, and were no longer related parties to the Group with effect from 11 June 2015 as detailed in note 5.

(b) **Compensation of key management personnel**

The remuneration of key management personnel (only the Directors) of the Group during the current period was as follows:

| | Six months ended | |
|---|-------------------------|-------------|
| | 30 September | |
| | 2016 | 2015 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Salaries, allowances and other benefits in kind | 3,380 | 2,696 |
| Retirement benefit scheme contributions | 18 | 9 |
| Share-based payments | – | 14,947 |
| | 3,398 | 17,652 |

The remuneration of directors and key executives is determined with reference to the performance of individuals and market trends.

20. LITIGATION

(a) **The Company against Mr. Cheng Chee Tock Theodore (deceased) (“Mr. Cheng”), Ms. Leonora Yung (“Ms. Yung”) and others**

For details, background and the development of this litigation in the prior years, please refer to previously issued annual report since 2010/2011 and interim report since 2011/2012.

During the current interim period, by the Company’s *ex parte* application made on 7 September 2016, the Company applied for an order to carry as if Mrs. Yung, Administratrix of the estate of Mr. Cheng (deceased), had been substituted for Mr. Cheng as the defendant pursuant to Order 15, rule 7 of the Rules of the High Court (Cap. 4A of the Laws of Hong Kong) (“RHC”).

By the order made on 15 September 2016, it was ordered that Mrs. Yung has been made a party to these proceedings and substituted for Mr. Cheng.

There was no other development for this litigation in the current interim period.

(b) The Company and Highsharp Investments Limited (“Highsharp”), as the Plaintiffs

For details, background and the development of this litigation in the prior years, please refer to previously issued annual report since 2010/2011 and interim report since 2011/2012.

During the current interim period, by the Company’s *ex parte* application made on 1 September 2016, the Company applied for an order to carry on as if Mrs. Yung, Administratrix of the estate of Mr. Cheng (deceased), had been substituted for Mr. Cheng as Defendant pursuant to Order 15, rule 7 of the RHC.

There was no other development for this litigation in the current interim period.

(c) The Company and Ace Precise International Limited (“Ace Precise”), as the Plaintiffs

For details, background and the development of this litigation in the prior years, please refer to previously issued annual report since 2011/2012 and interim report 2011/2012. There was no development of this litigation in the current interim period.

(d) The Company together with former subsidiaries of the Company against Mr. Cheng

For details, background and the development of this litigation in the prior years, please refer to previously issued annual report since 2010/2011 and interim report since 2011/2012.

During the current interim period, two case management conferences were held on 6 April 2016 and 12 April 2016 respectively, whereby the High Court gave directions to the further conduct of the proceedings.

By the Company’s *ex parte* application made on 4 August 2016, the Company applied for an order to carry on as if Mrs. Yung, Administratrix of the estate of Mr. Cheng (deceased), had been substituted for Mr. Cheng as Defendant pursuant to Order 15, rule 7 of the RHC.

By the order made on 24 October 2016, it was ordered that Mrs. Yung has been made a party to these proceedings and substituted for Mr. Cheng.

There was no other development for this litigation in the current interim period.

The Company will issue further announcements to update the status of the above outstanding litigations when appropriate.

21. CAPITAL COMMITMENTS

As at 30 September 2016, the Group's capital expenditure contracted for but not provided in respect of acquisition of property, plant and equipment amounted to approximately HK\$9,868,000 (31 March 2016: HK\$13,380,000).

22. CONTINGENT LIABILITIES

As at 30 September 2016 and 31 March 2016, the Group did not have any significant contingent liabilities.

23. COMPARATIVE FIGURES

The Directors had reclassified certain comparative figures in order to conform with current period's presentation.

24. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the Board on 14 November 2016.

BUSINESS REVIEW

The progress of the Group's business development and expansion into 3 major areas, i.e. outsourced business process management, trading of packaging products and provision of information technology services, are on track and the Group is optimistic in its prospect.

Outsourced Business Process Management

Outsourced business process management can be divided into electronic gaming equipment management and the provision of management services for greyhound racing business. The former is operating in Macau while the latter is located in Vietnam.

During the six months ended 30 September 2016 (the "**Period**"), the management of electronic gaming equipment operations in Macau has been improving steadily with heavier emphasis on marketing. Cost control remains to be the key objective in Macau operations. Both measures contributed better result to this operation, comparing with the six months ended 30 September 2015 (the "**Previous Period**"). Expansion into Vietnam on the management of electronic gaming equipment is in progress, and the Group expects this diversifying market to achieve credible outcome in the coming financial year.

In April 2016, the Group's wholly owned subsidiary, Success Dragon Services Management Limited inked an agreement with Sports and Entertainment Services Joint Stock Company, for the provision of outsourced management services for greyhound racing business in Vietnam. Notwithstanding it being in its developing stage, it started contributing revenue for the Group. The management expects this contribution to continue.

Packaging Products Business

Following the revamping of the business into trading and service provider, volume of sale reduced compared with the Previous Period. As it is still going through the transition, the management believes that the reduction in revenue is inevitable. The Group's strategy in developing high-end products for valued customers is expected to achieve better profit margin as it has shown in the initial results. Full effort in expanding the business scale by expanding high-valued customer base and sourcing for quality contract box makers are top on the agenda.

Information Technology Services Business

The Group entered into several important agreements for the provision of racing system in Vietnam in the last quarter of 2015. In parallel with the outsourced management services for greyhound racing business, the information technology services business has started generating revenue for the Group during the Period. As the business is still in its developing stage, the management expects positive cash flow rolling in from the second half of this financial year.

FINANCIAL REVIEW

For the Period under review, the outsourced business process management continued to be the Group's core business which contributed approximately 78.4% (2015: 71.6%) of the Group's total revenue. The revenue derived from this business was approximately HK\$64 million, representing an increase of approximately 12.3% (2015: approximately HK\$57 million). For the packaging products business, the revenue was decreased by approximately 58.9% due to its transformation. The revenue derived from the quality packaging products business was approximately HK\$9.3 million for the Period (2015: approximately HK\$22.6 million). Revenue contributed by information technology services business amounting to approximately HK\$8.3 million. At the close of the Period, the Group recorded a total revenue of approximately HK\$81.7 million (2015: approximately HK\$79.7 million).

Administrative expenses recorded a decrease from approximately HK\$75.4 million for the Previous Period to approximately HK\$51.3 million for the Period. The major reason lies in the decrease in staff costs, particularly on equity-settled share-based payment. The decrease in staff costs amounted to approximately HK\$31.2 million, of which approximately HK\$23.5 million was derived from equity-settled share-based payment.

On the other hand, the expenses in the Group's new businesses in Vietnam rose due to increase in certain expenses. The increase included data processing expenses, information technology expenses and consultancy expenses which amounted to approximately HK\$4.9 million in total. Rental expenses were also increased by approximately HK\$2 million in total. In closing, there is a net decrease of approximately HK\$24.1 million in the administrative expenses.

Other gains and losses and other expenses recorded a decrease from approximately HK\$88.8 million for the Previous Period to approximately HK\$4.2 million for the Period. The major reason for the decrease is that a total of approximately HK\$87.2 million was recognized for impairment of assets in the Previous Period, while there is no indication that any assets suffered an impairment loss for the Period.

As a result of the above, the Group recorded a smaller net loss of approximately HK\$30.2 million for the Period, compared with a net loss of approximately HK\$140.3 million for the Previous Period.

LIQUIDITY, FINANCIAL RESOURCES AND FOREIGN CURRENCY EXPOSURE

As at 30 September 2016, the bank and cash balances of the Group amounted to approximately HK\$21.4 million. The Group had a liability component of the unsecured long term loan of approximately HK\$16.6 million. The long term loan is maturing in September 2018.

The gearing ratio of loans against the total equity as at 30 September 2016 was 11.3%. As the majority of bank deposits and cash on hand were denominated in Hong Kong dollar, followed by Macau Pataca, US Dollar, Renminbi and Vietnamese Dong, the Group's exchange risk exposure continues to depend on the movement of the exchange rates of the aforesaid currencies.

TREASURY POLICY

The Group maintains a conservative approach on foreign exchange exposure management and ensures that its exposure to fluctuations in foreign exchange rates is minimized.

During the Period, the Group entered into an agreement with its substantial shareholder namely, Mr. Yong Khong Yoong Mark, for a principal amount of HK\$20,000,000 term loan. Such financial assistance is a fully exempted connected transaction for the purpose of Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Apart from this term loan, the Group did not have any other borrowings and had not engaged in any financial instruments for hedging or speculative activities.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

The Company did not have any material acquisition, disposal and significant investment in subsidiaries and affiliated companies during the Period.

PLEDGE OF ASSETS

As at 30 September 2016, no asset was pledged by the Group.

CAPITAL COMMITMENTS

As at 30 September 2016, the Group's capital expenditure contracted for but not provided in the interim financial statements in respect of acquisition of property, plant and equipment amounted to approximately HK\$9.9 million.

EMPLOYEES AND REMUNERATION POLICY

The Group employed 63 permanent employees as at 30 September 2016, with 18 employees in Hong Kong, 25 employees in Macau and 20 employees in Vietnam.

The Group continued to review the remuneration packages of employees with reference to the level and compensation 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 quality of which are generally in line with the local practice. The Group supports a fair, transparent and high performance culture through its human resources policies, 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 litigation and in the opinion of the legal counsel, it is premature to predict the outcomes. Details of litigation are disclosed in note 20 to the interim financial statements.

SHARE OPTION SCHEME

Since 15 July 2015, the refreshment of scheme mandate limit under the share option scheme of the Company adopted on 28 September 2012 and amended on 8 August 2014 (the “**Share Option Scheme**”) has been approved by the shareholders of the Company (the “**Shareholders**”) at a special general meeting by way of an ordinary resolution. The Company is thus entitled to issue a maximum of 132,582,321 ordinary shares of HK\$0.01 each in the capital of the Company (the “**Shares**”) upon exercise of the share options to be granted under the refreshed scheme mandate limit, representing 10% of the issued shares of the Company as at the date of the special general meeting.

During the Period, the Company has not granted any share options to the eligible participants.

790,000 share options were exercised and 6,920,000 share options were lapsed during the Period.

CONVERTIBLE NOTES

During the Period, convertible notes with aggregate principals amount of HK11,000,000 were converted into 73,333,333 Shares with conversion price of HK\$0.15 per share. (Please refer to note 15 to the interim financial statements for details).

INTERIM DIVIDEND

The Board of Directors of the Company resolved not to declare the payment of an interim dividend for the Period (six months ended 30 September 2015: Nil). Accordingly, no closure of register of members of the Company is required.

CORPORATE GOVERNANCE

The Board is satisfied that the Company has complied with the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 (the “**CG Code**”) to the Listing Rules throughout the Period except for the following deviation:

- (1) Code Provision A.4.1 of the CG Code provides, inter alia, that non-executive Directors should be appointed for a specific term and subject to re-election.**

The independent non-executive Directors of the Company are not appointed for a specific term. However, they are subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years in accordance with the Company’s Bye-laws and the Listing Rules.

- (2) Code Provision A.2.1 of the CG Code provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.**

The roles of chairman and chief executive officer of the Company are both performed by Mr. Carlos Luis SALAS PORRAS, an executive Director of the Company. The Board considers that having Mr. SALAS to act as the chairman and chief executive officer of the Company will enhance the operation efficiency and core competitiveness of the Group, more clearly define the organisational structure, and simplify the Group’s decision-making mechanism. Therefore, the Board considers that such deviation is beneficial to the Group’s overall business development.

The Board will continue to review the management structure of the Group from time to time and shall make necessary changes when appropriate and inform the shareholders of the Company accordingly.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules for securities transactions by the Directors. Upon enquiry by the Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code regarding securities transactions by the Directors during the Period.

REMUNERATION COMMITTEE

The Company established the remuneration committee (the “**Remuneration Committee**”) which has adopted written terms of reference in compliance with the Listing Rules. As at the date of this announcement, the Remuneration Committee is composed of three independent non-executive Directors, namely Mr. ER Kwong Wah (Chairman), Mr. YONG Peng Tak and Mr. ZHENG Jian Peng and one executive Director, Mr. Carlos Luis SALAS PORRAS. The Remuneration Committee is responsible for reviewing, determining and making recommendations to the Board on the remuneration, compensation and benefits of Directors and senior management. The terms of reference of the Remuneration Committee are available and accessible on the Company’s website.

NOMINATION COMMITTEE

The Company established the nomination committee (the “**Nomination Committee**”) which has adopted written terms of reference in compliance with the Listing Rules. As at the date of this announcement, the Nomination Committee is composed of executive Director, Mr. Carlos Luis SALAS PORRAS (Chairman) and three independent non-executive Directors, namely Mr. YONG Peng Tak, Mr. ER Kwong Wah and Mr. ZHENG Jian Peng. The Nomination Committee is responsible for making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors. The Nomination Committee reviews the structure, size and composition of the Board, identifies suitably qualified candidates to become Board members. The Nomination Committee also ensures the Board comprises members with mixed skills and experience with appropriate weights necessary to accomplish the Group’s business development, strategies, operation, challenges and opportunities. The terms of reference of the Nomination Committee are available and accessible on the Company’s website.

AUDIT COMMITTEE

The Company established the audit committee (the “**Audit Committee**”) which has adopted written terms of reference in compliance with the Listing Rules. As at the date of this announcement, the Audit Committee is composed of three independent non-executive Directors, namely Mr. YONG Peng Tak (Chairman), Mr. ER Kwong Wah and Mr. ZHENG Jian Peng. The Audit Committee is responsible for considering appointment of the external auditor, reviewing the interim and annual financial statements before submission to the Board, and overseeing the Group’s financial reporting, risk management and internal control systems. The terms of reference of the Audit Committee are available and accessible on the Company’s website.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the unaudited condensed consolidated results for the Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SECURITIES

During the Period, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company’s listed securities.

By Order of the Board
Success Dragon International Holdings Limited
Carlos Luis SALAS PORRAS
Chairman

Hong Kong, 14 November 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. ZHENG Jian Peng.