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 2017

The audited consolidated results of Success Dragon International Holdings Limited ("Company") and its subsidiaries (collectively referred to as the "Group") for the financial year ended 31 March 2017 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 2017

	Notes	**2017** *HK$'000*	2016 *HK$'000*
Revenue	4	**151,228**	153,657
Cost of sales		**(118,147)**	(116,161)
Gross profit		**33,081**	37,496
Other income	4	**8,325**	9,906
Selling and distribution costs		**(4,599)**	(5,102)
Operating, administrative and other expenses		**(121,930)**	(174,387)
Loss from operations		**(85,123)**	(132,087)
Impairment of various assets		**(73,396)**	(98,259)
Inventories written off		**(261)**	(1,207)
Settlement sum in respect of a legal proceeding		**—**	400
Gain on deregistration of a subsidiary		**1,075**	—
Finance costs	5	**(1,577)**	(5,353)
Loss before tax		**(159,282)**	(236,506)
Income tax	6	**—**	4,966
Loss for the year	7	**(159,282)**	(231,540)

	Notes	2017 HK$'000	2016 HK$'000
Other comprehensive (loss)/income:			
Items that may be reclassified to profit or loss:			
Foreign currency translation reserve reclassified to profit or loss upon deregistration of a subsidiary		**(1,061)**	—
Exchange differences on translating foreign operations		**(1,252)**	505
Fair value changes of available-for-sale investments		**3,108**	—
Total other comprehensive income for the year, net of tax		**795**	505
Total comprehensive loss for the year		**(158,487)**	(231,035)
Loss for the year attributable to:			
Owners of the Company		**(156,179)**	(231,469)
Non-controlling interests		**(3,103)**	(71)
		(159,282)	(231,540)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(155,384)**	(230,964)
Non-controlling interests		**(3,103)**	(71)
		(158,487)	(231,035)
Loss per share (HK cents per share)			
Basic and diluted loss per share	9	**(8.97)**	(16.10)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		**41,235**	43,968
Intangible assets		**—**	—
Available-for-sale investments	10	**158,568**	—
Deposits and other receivables	11	**886**	90,646
		200,689	134,614
Current assets			
Inventories		**344**	449
Trade receivables	12	**1,790**	950
Deposits and other receivables	11	**10,964**	15,966
Bank and cash balances		**14,201**	28,136
		27,299	45,501
Current liabilities			
Trade and other payables	13	**23,524**	8,230
Convertible notes		**—**	10,438
		23,524	18,668
Net current assets		**3,775**	26,833
Total assets less current liabilities		**204,464**	161,447
Non-current liabilities			
Shareholder's loan		**17,392**	—
Deferred tax liabilities		**—**	—
		17,392	—
NET ASSETS		**187,072**	161,447

	Notes	2017 HK$'000	2016 HK$'000
Capital and reserves			
Share capital		**20,728**	16,865
Reserves		**169,543**	144,678
Equity attributable to owners of the Company		**190,271**	161,543
Non-controlling interests		**(3,199)**	(96)
TOTAL EQUITY		**187,072**	161,447

Notes:

1. GENERAL INFORMATION

Success Dragon International Holdings Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability under the Bermuda Companies Act. The addresses of the registered office and principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and Unit 3503B-05, 35/F., 148 Electric Road, North Point, Hong Kong respectively. 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 provision of outsourced business process management for electronic gaming machines in Macau, provision of information technology services to Vietnam pari-mutuel sector and trading of packaging products.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 April 2016. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

3. SEGMENT INFORMATION

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

Outsourced business process management	—	Provision of services on management of electronic gaming equipment in Macau
Packaging products business	—	Trading of packaging products
Information technology services	—	Provision of information technology services to Vietnam pari-mutuel sector

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.

Information regarding the above segment is reported below.

3. SEGMENT INFORMATION (continued)

(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							
	Outsourced business process management		Packaging products business		Information technology services		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK'000	*HK'000*	***HK'000***	*HK'000*	***HK'000***	*HK'000*	***HK'000***	*HK'000*
REVENUE:								
Revenue from external customers	**130,795**	119,805	**15,755**	33,852	**4,678**	—	**151,228**	153,657
RESULTS:								
Segment profit/(loss)	**(6,964)**	(113,987)	**174**	(13,046)	**(111,373)**	(53,839)	**(118,163)**	(180,872)
Interest income#							**5**	46
Settlement sum in respect of a legal proceeding							**—**	400
Unallocated income							**2,828**	57
Unallocated corporate expenses							**(42,375)**	(50,784)
Finance costs							**(1,577)**	(5,353)
Loss before tax							**(159,282)**	(236,506)

These items were included in other income.

There are no sales between the reportable segments for both years ended 31 March 2017 and 2016.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment loss represents the loss of each segment without allocation of interest income, settlement sum in respect of a legal proceeding, 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.

3. SEGMENT INFORMATION (continued)

(b) Segment assets and liabilities

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

	At 31 March							
	Outsourced business process management		Packaging products business		Information technology services		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK'000	*HK'000*	***HK'000***	*HK'000*	***HK'000***	*HK'000*	***HK'000***	*HK'000*
ASSETS:								
Segment assets	**43,721**	34,509	**2,090**	1,805	**4,507**	107,644	**50,318**	143,958
Bank and cash balances							**14,201**	28,136
Available-for-sale investments							**158,568**	—
Unallocated corporate assets							**4,901**	8,021
Total assets							**227,988**	180,115
LIABILITIES:								
Segment liabilities	**11,352**	4,413	**875**	1,312	**6,184**	1,083	**18,411**	6,808
Convertible notes							**—**	10,438
Shareholder's loan							**17,392**	—
Unallocated corporate liabilities							**5,113**	1,422
Total liabilities							**40,916**	18,668

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

— all assets are allocated to reportable segments other than bank and cash balances, available-for-sale investments and unallocated corporate assets; and

— all liabilities are allocated to reportable segments other than convertible notes, shareholder's loan and unallocated corporate liabilities.

3. SEGMENT INFORMATION (continued)

(c) Geographical information

The Group's operations are located in Hong Kong, Macau, the PRC and Vietnam.

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

Revenue by geographical market

	2017	2016
	HK'000	*HK'000*
Macau	**130,795**	119,805
Vietnam	**4,507**	—
Germany	**648**	18,229
United Kingdom	**4,396**	5,312
United States of America	**2,406**	2,906
Hong Kong	**874**	2,517
United Arab Emirates	**2,965**	1,108
Italy	**1,706**	1,106
South Africa	**1,090**	545
Monaco	**655**	414
Other countries	**1,186**	1,715
	151,228	153,657

No revenue from customer (2016: one customer from the Group's electronic gaming business segment) contributing over 10% of the total revenue of the Group.

In presenting the geographical information, revenue is based on the location of the customers.

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

	2017	2016
	HK'000	*HK'000*
Hong Kong	**1,333**	2,748
Macau	**36,812**	27,943
Vietnam	**3,976**	103,923
	42,121	134,614

3. SEGMENT INFORMATION (continued)

(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		Packaging products business		Information technology services		Unallocated		Consolidated total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	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	**19,874**	3,243	**—**	8	**86,212**	16,653	**24**	1,128	**106,110**	21,032
Amortisation of intangible assets	**—**	6,743	**—**	—	**—**	—	**—**	—	**—**	6,743
Depreciation of property, plant and equipment	**10,378**	15,177	**39**	718	**24,607**	697	**325**	198	**35,349**	16,790
Impairment of property, plant and equipment	**—**	15,275	**—**	—	**71,237**	—	**—**	—	**71,237**	15,275
Impairment of goodwill	**—**	48,231	**—**	—	**—**	—	**—**	—	**—**	48,231
Impairment of intangible assets	**—**	34,753	**—**	—	**—**	—	**—**	—	**—**	34,753
Impairment of deposits and other receivables	**—**	—	**—**	—	**2,159**	—	**—**	—	**2,159**	—
(Gain)/loss on disposal of property, plant and equipment	**—**	(189)	**—**	896	**(37)**	—	**—**	—	**(37)**	707
Property, plant and equipment written off	**—**	—	**—**	428	**1,861**	—	**—**	—	**1,861**	428
Inventories written off	**—**	—	**261**	1,207	**—**	—	**—**	—	**261**	1,207

4. REVENUE AND OTHER INCOME

Revenue represents amounts received and receivable for services provided and goods sold by the Group to outside customers, less discounts and sales related taxes.

An analysis of the Group's revenue and other income for the year is as follows:

	2017	2016
	HK$'000	*HK$'000*
Revenue:		
Provision of services on management of electronic gaming equipment in Macau	**130,795**	119,805
Manufacturing and trading of packaging products for luxury goods	**15,755**	33,852
Provision of information technology services to Vietnam pari-mutuel sector	**4,678**	—
	151,228	153,657

	2017	2016
	HK$'000	*HK$'000*
Other income:		
Management fee income	**5,712**	6,469
Technical service income	**—**	93
Mould and sample income	**250**	—
Gain on disposal of property, plant and equipment	**37**	—
Interest income	**5**	46
Sundry income	**605**	761
Reversal of equity-settled share-based payment	**1,716**	—
Compensation from suppliers	**—**	2,083
Rental income	**—**	454
	8,325	9,906

5. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest expenses on borrowings		
— Imputed interest on shareholder's loan	**863**	—
— Imputed interest on convertible notes	**714**	5,353
	1,577	5,353

6. INCOME TAX

	2017	2016
	HK$'000	*HK$'000*
PRC Enterprise Income Tax — current	**—**	14
Deferred tax	**—**	(4,980)
	—	(4,966)

No provision for Hong Kong profits tax is required for the year ended 31 March 2017 and 31 March 2016 since the Group has sufficient tax losses brought forward to set off against current year's assessable profit.

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

No provision for Vietnam tax is required for the year ended 31 March 2017 since the Group did not generate any assessable profits arising in Vietnam during the year. Tax arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

7. LOSS FOR THE YEAR

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

	2017	2016
	HK$'000	*HK$'000*
Cost of inventories sold	**11,559**	26,780
Depreciation of property, plant and equipment	**35,349**	16,790
Amortisation of intangible assets	**—**	6,743
Property, plant and equipment written off	**1,861**	428
Operating lease rentals in respect of land and buildings	**5,886**	4,179
Auditors' remuneration	**1,270**	856
Staff costs (including Directors' remuneration):		
Salaries, allowances and other benefits in kind	**40,895**	47,479
Equity-settled share-based payment	**923**	20,334
Pension scheme contributions	**886**	1,955
Total staff costs	**42,704**	69,768
Inventories written off	**261**	1,207
Impairment of goodwill	**—**	48,231
Impairment of intangible assets	**—**	34,753
Impairment of property, plant and equipment	**71,237**	15,275
Impairment of deposit and other receivables	**2,159**	—
Exchange losses/(gains)*	**2,068**	(496)
Settlement sum in respect of a legal proceeding	**—**	(400)
Equity-settled share-based payment to consultants	**421**	27,360
(Gain)/loss on disposal of property, plant and equipment**	**(37)**	707

* This item was included in administrative expenses

** These items were included in administrative expenses/other income.

8. DIVIDEND

The Directors do not recommend the payment of any dividend for each of the years ended 31 March 2017 and 2016.

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss of approximately HK$156,179,000 (2016: HK$231,469,000) for the year attributable to owners of the Company and the weighted average number of 1,741,351,383 (2016: 1,437,296,110) ordinary shares in issue during the year.

(b) Diluted loss per share

No diluted loss per share is presented for the years ended 31 March 2017 and 2016 as the exercise of the Company's outstanding share options would be anti-dilutive.

10. AVAILABLE-FOR-SALE INVESTMENTS

	2017	2016
	HK$'000	*HK$'000*
Unlisted equity securities, at fair value	**158,568**	—

During the year, the Group subscribed for 73,251,487 Series E Preferred Shares in Primus Power Corporation ("Primus"), a company incorporated under the laws of the State of Delaware of the United States of America for a consideration of US$20,000,000 (equivalent to approximately HK$155,460,000), representing 20.82% of the enlarged issued share capital in Primus. As the Group is only entitled to appoint one director out of seven directors of Primus, the Group is unable to exercise significant influence over Primus and the investment is therefore classified as available-for-sale financial assets.

Fair value gain of available-for-sale investments of approximately HK$3,108,000 had been recognised as other comprehensive income during the year ended 31 March 2017.

11. DEPOSITS AND OTHER RECEIVABLES

	2017 *HK$'000*	2016 *HK$'000*
Deposits paid for acquisition of property, plant and equipment	**499**	88,807
Deposits and prepayments	**15,972**	18,322
Deposits paid for game software development and licenses	**30,000**	30,000
	46,471	137,129
Less: Impairment losses	**(40,720)**	(39,301)
	5,751	97,828
Other receivables	**9,839**	11,784
Less: Impairment losses	**(3,740)**	(3,000)
	6,099	8,784
	11,850	106,612
Analysed as:		
Non-current assets		
Deposits paid for acquisition of property, plant and equipment	**499**	88,807
Deposits and other receivables	**387**	1,839
	886	90,646
Current assets		
Other receivables	**6,099**	7,622
Deposits and prepayments	**4,865**	8,344
	10,964	15,966
	11,850	106,612

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$44,460,000 (2016: HK$42,301,000) 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.

12. TRADE RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**1,790**	950

(a) The Group grants a credit period normally ranging from 0 to 45 days (2016: 0 to 45 days) to its trade customers.

(b) Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that the recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

(c) At the end of the reporting period, the aging analysis of the trade receivables, based on invoice date and net of impairment losses, is as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 60 days	**1,622**	296
61 to 90 days	**66**	18
91 to 180 days	**72**	479
181 to 365 days	**30**	157
	1,790	950

(d) At the end of the reporting period, the aging analysis of trade receivables that were neither individually nor collectively considered to be impaired is as follows:

	2017	2016
	HK$'000	*HK$'000*
Neither past due nor impaired	**743**	277
Less than 60 days past due	**927**	36
61 to 90 days past due	**85**	300
91 to 180 days past due	**5**	192
Over 180 days past due	**30**	145
	1,790	950

Trade receivables that were not past due relate to a wide range of customers who has no recent history of default. The Group does not hold any collateral over these balances.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

13. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**6,234**	238
Other payables and accrued expenses	**17,290**	7,992
	23,524	8,230

(a) At the end of the reporting period, the aging analysis of trade payables, presented based on the invoice date, is as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 60 days	**1,185**	61
61 to 90 days	**260**	—
91 to 180 days	**1,937**	—
181–365 days	**2,714**	—
Over 365 days	**138**	177
	6,234	238

(b) The average credit period on purchase of goods ranges from 30 to 90 days (2016: 30 to 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Performance of the Group

The Group recorded revenue of approximately HK$151.2 million for the financial year ended 31 March 2017 ("FY2017" or the "Year"), which is similar to approximately HK$153.7 million in the financial year ended 31 March 2016 ("FY2016"). The information technology services business first contributed approximately HK$4.7 million to the Group's revenue, however, the performance of the packaging products business deteriorated by 53.5% due to the strategy of the Group to streamline such business since FY2016. The drop was compensated by the improvement of approximately 9.2% in the outsourced business process management business as compared to FY2016.

Outsourced Business Process Management

The management of electronic gaming equipment operation in Macau contributed over 80% of the Group's revenue during the Year. Although the overall slot machine gaming revenue in Macau declined by 3.1% in the calendar year 2016 (according to Macau government's statistic), with the Group's heavy emphasis on marketing and cost control, the Group's revenue in this segment still recorded a moderate increase of 9.2% and EBITDA of approximately HK$3.4 million. Thus, it is proven that the Group's efforts has contributed to the improved result in this operation.

During the Year, the Group started the provision of management services for racing business in Vietnam. However, due to the changes in regulatory environment in Vietnam which make the operating environment for provision of services for racing business more challenging, the Group decided to terminate the agreements with the customers with effect from 28 June 2017, please refer to the announcement of the Company dated 28 June 2017 for details.

Packaging Products Business

Following the revamping of the business to trading and service provider since last year, volume of sale reduced compared with FY2016. As this segment is still undergoing the stage of transition, the management believes that the reduction in revenue is inevitable.

The Group's strategy in achieving higher profit margin by developing high-end products for signature customers has shown result in FY2017. Although the revenue decreased by 53.5%, this segment recorded a net profit of HK$0.2 million (FY2016: net loss of HK$13.0 million).

Information Technology Services Business

The Group entered into several agreements for the provision of racing system in Vietnam in the last quarter of 2015. The information technology services business started generating revenue to the Group in FY2017. However, due to the changes in regulatory environment in Vietnam which make the operating environment for the information technology services business more challenging, the Group decided to terminate the agreements with the customers with effect from 28 June 2017, please refer to the announcement of the Company dated 28 June 2017 for details.

Investment in electrical energy storage system solutions business

The Group has been actively looking for investment opportunities to continue to expand and upgrade its business. As disclosed in the announcements of the Company dated 24 February 2017 and 24 March 2017 respectively, the Group has made an investment in Primus, a USA company principally engaged in the provision of electrical energy storage system solutions.

FINANCIAL REVIEW

During FY2017, the outsourced business process management continued to be the Group's core business which contributed 86.5% (FY2016: 78.0%) of the Group's total revenue. The revenue derived from this segment was approximately HK$130.8 million, representing an increase of 9.2% (FY2016: approximately HK$119.8 million). For the packaging products business, the revenue was decreased by 53.5% from approximately HK$33.9 million for FY2016 to approximately HK$15.8 million for FY2017 due to its transformation. Revenue contributed by information technology services business amounting to approximately HK$4.7 million. At the close of the FY2017, the Group recorded a total revenue of approximately HK$151.2 million (FY2016: approximately HK$153.7 million).

The Group reported a net loss attributable to owners of the Company of approximately HK$156.1 million for FY2017 (FY2016: approximately HK$231.5 million). The decrease in net loss was mainly caused by the following factors:

i) Decrease in the operating, administrative and other expenses from approximately HK$174.4 million in FY2016 to approximately HK$121.9 million in FY2017. The major reason lies in the decrease in staff costs, particularly on equity-settled share-based payment to both staff and consultants. The Group's staff costs in FY2017 was decreased by approximately 38.8% from approximately HK$69.8 million in FY2016 to approximately HK$42.7 million in FY2017. The equity-settled share-based payment to consultants decreased from approximately HK$27.4 million in FY2016 to approximately HK$0.4 million in FY2017.

ii) Decrease in the accounting loss arising from impairment of various assets of approximately HK$73.4 million. For FY 2017, an impairment loss of approximately HK$71.2 million was recognized on the assets of the operation in Vietnam with reference to fair value appraised by an independent professional valuer.

LIQUIDITY, FINANCIAL RESOURCES AND FOREIGN CURRENCY EXPOSURE

As at 31 March 2017, the bank and cash balances of the Group amounted to approximately HK$14.2 million.

The gearing ratio of loans against the total equity as at 31 March 2017 was 9.3%. As the majority of bank deposits and cash on hand were denominated in Hong Kong dollar, followed by Macau Pataca, Vietnamese Dong, US dollar and Renminbi, the Group's exchange risk exposure depended 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 FY2017, the Group did not have any fixed interest rate borrowings and had not engaged in any financial instruments for hedging or speculative activities.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

(a) On 24 February 2017, the Group entered into a share purchase agreement with Primus (the "Primus Agreement") for the subscription of 73,251,487 Series E Preferred Shares in Primus ("Subscription") at a total consideration of US$20 million. Payment for the Subscription was settled by the proceeds from placing of new shares under general mandate by the Company which was completed on 15 March 2017. Pursuant to the Primus Agreement, conditional upon the completion of the Subscription, the Group may at its absolute discretion opt to, on or before 30 June 2017, further subscribe for up to 73,251,487 Series E Preferred Shares in Primus at a total consideration of US$20 million ("Primus Option"). On 7 June 2017, the Group decided not to exercise the Primus Option.

    Further details of the acquisition are described in the Company's announcements dated 24 February 2017, 24 March 2017 and 7 June 2017 respectively.

(b) On 10 March 2017, the Group entered into a memorandum of understanding for the proposed acquisition of a group of companies engaging in energy related business in the PRC ("Proposed Acquisition"). On 7 June 2017, the Group decided not to enter into any definitive agreement in relation to the Potential Acquisition.

Further details of the Potential Acquisition are described in the Company's announcements dated 10 March 2017 and 7 June 2017 respectively.

Saved as disclosed above, the Group did not have any material acquisition, disposal and significant investment during FY2017.

FUTURE DEVELOPMENTS IN THE BUSINESS OF THE GROUP

As at the date of this announcement, the Group had no plans for material investments or acquisition of capital assets. However, the Group will continue to identify new opportunities for business development. In the event any definitive agreement is entered into in relation to any material investments or acquisition of capital assets, further announcement(s) will be made if and when required or as appropriate in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

EVENTS AFTER THE END OF THE REPORTING PERIOD

On 28 April 2017, the Group entered into a renewable energy management framework agreement in respect of, inter alia, developing a photovoltaic energy generation and storage project by applying Primus's flow batteries technology in Guangdong, the PRC (the "Potential Investment"). On 7 June 2017, the Group decided not to enter into any definitive agreement in relation to the Potential Investment.

Further details of the Potential Investment are described in the Company's announcements dated 28 April 2017 and 7 June 2017 respectively.

COMMITMENTS

At the end of the reporting period, the Group had the following commitments:

(a) Commitments under operating leases

As lessee

The Group leases certain of its office properties and staff quarters under operating lease arrangements. Leases are negotiated for a term ranging from one to five years (2016: one to four years). The Group does not have an option to purchase the leased asset at the expiry of the leased period.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which are payable as follows:

	2017	2016
	HK$'000	*HK$'000*
Within one year	**5,113**	4,356
In the second to fifth years, inclusive	**696**	4,813
	5,809	9,169

(b) Capital commitments

At the end of the reporting period, the Group's capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment amounted to approximately HK$6,897,000 (2016: HK$13,380,000).

PLEDGE OF ASSETS

As at 31 March 2017, no asset was pledged by the Group.

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 reporting period, by the Company's ex parte application made on 7 September 2016, the Company applied for an order to carry on the legal proceedings as if Ms. 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 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 Ms. Yung has been made a party to these proceedings and substituted for Mr. Cheng.

These was no other development for this litigation during the reporting period.

(b) The Company and Highsharp Investments Limited, 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 reporting period, by the Company's ex parte application made on 1 September 2016, the Company applied for an order to carry on the legal proceedings as if Ms. 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 during the reporting period.

(c) The Company and Ace Precise International Limited, 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.

There was no development of this litigation during the reporting 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 reporting 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 the legal proceedings as if Ms. 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 Ms. Yung has been made a party to these proceedings and substituted for Mr. Cheng. There was no other development for this litigation in the reporting period.

EMPLOYEES AND REMUNERATION POLICY

The Group employed 46 permanent employees as at 31 March 2017, with 17 employees in Hong Kong, 23 employees in Macau and 6 employees in Vietnam.

The Group continued 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.

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 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 financial year ended 31 March 2017.

The Company has sent a written confirmation to each independent non-executive directors of the Company (“INEDs”) requesting for their confirmation of independence during the financial year ended 31 March 2017 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 financial year ended 31 March 2017.

The Board is satisfied that the Company has complied with the applicable code provisions of the CG Code throughout the financial year ended 31 March 2017 except for the following deviations:

(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.

    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.

From 1 April 2016 to 2 March 2017, the roles of chairman and chief executive officer of the Company were both performed by Mr. Carlos Luis Salas Porras ("Mr. Salas"), a former executive Director of the Company. The Board considers that having Mr. Salas to act as the chairman and chief executive officer of the Company 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.

AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee of the Company comprises four INEDs, namely Mr. YONG Peng Tak (Chairman), Mr. ER Kwong Wah, Mr. ZHENG Jian Peng and Mr. CHUNG Yuk Lun. The Audit Committee had reviewed the accounting principles and practices adopted by the Group, and had discussed auditing, internal control and financial reporting matters, including the review of the annual results for the financial year ended 31 March 2017, with the Company's management and the external auditors.

INTERNAL CONTROL

The Board has engaged Mazars CPA Limited, an independent third party, to conduct review on the internal control systems of the Group. The review report is submitted to the Audit Committee and the Board in June 2017, and findings and recommendations concerning improvements to the Group's internal controls have been reviewed by the Audit Committee and the Board. Having considered the results of the internal control review, with no material control deficiency identified, the Board considered the Group's internal control system to be effective. The Board will continue to review and improve the internal control systems of the Group, taking into account the recommendations of the independent review and the prevailing regulatory requirements.

SCOPE OF WORK OF ZHONGHUI ANDA 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 2017 as set out in the preliminary announcement have been agreed by the Group's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2017. The work performed by ZHONGHUI ANDA 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 ZHONGHUI ANDA CPA Limited on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By order of the Board
Success Dragon International Holdings Limited
TAN Teng Hong
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 29 June 2017

As at the date of this announcement, the executive Directors are Mr. TAN Teng Hong (Chairman & Chief Executive Officer) and Mr. GOH Hoon Leum; the independent non-executive Directors are Mr. YONG Peng Tak, Mr. ER Kwong Wah, Mr. ZHENG Jian Peng and Mr. CHUNG Yuk Lun.