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 2016

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 2016 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 2016

	Notes	2016 HK$'000	2015 HK$'000
Revenue	4	**153,657**	180,022
Cost of sales		**(116,161)**	(131,575)
Gross profit		**37,496**	48,447
Other income	4	**9,906**	11,073
Selling and distribution costs		**(5,102)**	(6,082)
Operating, administrative and other expenses		**(174,387)**	(92,043)
Loss from operations		**(132,087)**	(38,605)
Impairment of goodwill		**(48,231)**	(10,819)
Impairment of intangible assets		**(34,753)**	–
Impairment of property, plant and equipments		**(15,275)**	–
Inventories written off		**(1,207)**	–
Settlement sum in respect of a legal proceeding		**400**	8,890
Finance costs	5	**(5,353)**	(7,461)
Loss before tax		**(236,506)**	(47,995)
Income tax	6	**4,966**	676
Loss for the year	7	**(231,540)**	(47,319)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 HK$'000	2015 HK$'000
Other comprehensive income:			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**505**	56
Total other comprehensive income for the year, net of tax		**505**	56
Total comprehensive loss for the year		**(231,035)**	(47,263)
Loss for the year attributable to:			
Owners of the Company		**(231,469)**	(47,319)
Non-controlling interests		**(71)**	–
		(231,540)	(47,319)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(230,964)**	(47,263)
Non-controlling interests		**(71)**	–
		(231,035)	(47,263)
Loss per share (HK cents per share)			
Basic and diluted	*9*	**(16.10)**	(4.30)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2016

	Notes	**2016** **HK$'000**	2015 HK$'000
Non-current assets			
Property, plant and equipment		**43,968**	57,817
Intangible assets	*10*	**–**	41,496
Goodwill	*11*	**–**	48,231
Deposits and other receivables	*13*	**90,646**	2,936
		134,614	150,480
Current assets			
Inventories		**449**	4,669
Trade receivables	*12*	**950**	4,507
Deposits and other receivables	*13*	**15,966**	9,517
Bank and cash balances		**28,136**	73,650
		45,501	92,343
Current liabilities			
Trade and other payables	*14*	**8,230**	10,453
Due to related companies		**–**	18,717
Convertible notes		**10,438**	1,865
		18,668	31,035
Net current assets		**26,833**	61,308
Total assets less current liabilities		**161,447**	211,788
Non-current liabilities			
Convertible notes		**–**	50,456
Deferred tax liabilities		**–**	4,980
		–	55,436
NET ASSETS		**161,447**	156,352
Capital and reserves			
Share capital		**16,865**	11,051
Reserves		**144,678**	145,301
Equity attributable to owners of the Company		**161,543**	156,352
Non-controlling interests		**(96)**	–
TOTAL EQUITY		**161,447**	156,352

Notes:

1. GENERAL INFORMATION

Success Dragon International Holdings Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability under the Bermuda Companies Act. The 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 that are relevant to its operations and effective for its accounting year beginning on 1 April 2015. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") 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.

(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	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
REVENUE:								
Revenue from external customers	**119,805**	132,881	**33,852**	47,141	**–**	–	**153,657**	180,022
RESULTS:								
Segment profit/(loss)	**(113,987)**	(21,588)	**(13,046)**	996	**(53,839)**	–	**(180,872)**	(20,592)
Interest income#							**46**	277
Settlement sum in respect of a legal proceeding							**400**	8,890
Unallocated income							**57**	–
Unallocated corporate expenses							**(50,784)**	(29,109)
Finance costs							**(5,353)**	(7,461)
Loss before tax							**(236,506)**	(47,995)

This items was included in other income.

3. SEGMENT INFORMATION (Continued)

(a) Segment revenue and results (Continued)

There are no sales between the reportable segments for both years ended 31 March 2016 and 2015.

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.

(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	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
ASSETS:								
Segment assets	34,509	150,551	**1,805**	13,041	**107,644**	–	**143,958**	163,592
Bank and cash balances							**28,136**	73,650
Unallocated corporate assets							**8,021**	5,581
Total assets							**180,115**	242,823
LIABILITIES:								
Segment liabilities	4,413	20,665	**1,312**	6,569	**1,083**	–	**6,808**	27,234
Convertible notes							**10,438**	52,321
Deferred tax liabilities							**–**	4,980
Unallocated corporate liabilities							**1,422**	1,936
Total liabilities							**18,668**	86,471

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 and unallocated corporate assets; and

– all liabilities are allocated to reportable segments other than convertible notes, deferred tax liabilities 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

	2016	2015
	HK$'000	*HK$'000*
Macau	**119,805**	132,881
Germany	**18,229**	29,957
United Kingdom	**5,312**	3,624
United States of America	**2,906**	4,256
Hong Kong	**2,517**	3,344
United Arab Emirates	**1,108**	127
Italy	**1,106**	518
South Africa	**545**	1,705
Monaco	**414**	55
Other countries	**1,715**	3,555
	153,657	180,022

Revenue from one (2015: one) customer from the Group's outsourced business process management segment (2015: packaging products business segment) contributing over 10% of the total revenue of the Group represents approximately HK$15,512,000 (2015: HK$23,763,000) of the Group's total revenue.

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

3. SEGMENT INFORMATION (Continued)

(c) Geographical information (Continued)

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

	2016	2015
	HK$'000	*HK$'000*
The PRC	**–**	3,049
Hong Kong	**2,748**	2,442
Macau	**27,943**	144,989
Vietnam	**103,923**	–
	134,614	150,480

(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		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Addition to non-current assets	**3,243**	1,337	**8**	662	**16,653**	–	**1,128**	55	**21,032**	2,054
Amortisation of intangible assets	**6,743**	5,672	**–**	–	**–**	–	**–**	–	**6,743**	5,672
Depreciation of property, plant and equipment	**15,177**	15,141	**718**	1,194	**697**	–	**198**	162	**16,790**	16,497
Impairment of property, plant and equipment	**15,275**	–	**–**	–	**–**	–	**–**	–	**15,275**	–
Impairment of goodwill	**48,231**	10,819	**–**	–	**–**	–	**–**	–	**48,231**	10,819
Impairment of inventories	**–**	–	**–**	222	**–**	–	**–**	–	**–**	222
Inventories written off	**–**	–	**1,207**	–	**–**	–	**–**	–	**1,207**	–
Recovery of trade receivables previously impaired	**–**	–	**–**	1,549	**–**	–	**–**	–	**–**	1,549
(Gain)/loss on disposal of property, plant and equipment	**(189)**	(586)	**896**	–	**–**	–	**–**	–	**707**	(586)
Property, plant and equipment written off	**–**	6	**428**	3	**–**	–	**–**	–	**428**	9

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:

	2016	2015
	HK$'000	*HK$'000*
Revenue:		
Provision of services on management of electronic gaming equipment in Macau	**119,805**	132,881
Manufacturing and trading of packaging products for luxury goods	**33,852**	47,141
	153,657	180,022

	2016	2015
	HK$'000	*HK$'000*
Other income:		
Management fee income	**6,469**	5,578
Technical service income	**93**	279
Mould and sample income	**–**	1,201
Gain on disposal of property, plant and equipment	**–**	586
Interest income	**46**	277
Sundry income	**761**	970
Recovery of trade receivables previously impaired *(note 12(e))*	**–**	1,549
Compensation from suppliers	**2,083**	–
Rental income	**454**	633
	9,906	11,073

5. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest expenses on borrowings:		
– Imputed interest costs on convertible notes	**5,353**	**7,461**

6. INCOME TAX

	2016	2015
	HK$'000	*HK$'000*
PRC Enterprise Income Tax – current	**14**	4
Deferred tax	**(4,980)**	(680)
	(4,966)	(676)

No provision for Hong Kong profits tax is required for the years ended 31 March 2016 and 2015 since the Group has sufficient tax losses brought forward to set off against assessable profits.

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 2016 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.

The reconciliation between the income tax for the year and the loss before tax multiplied by the Hong Kong profits tax rate is as follows:

	2016	2015
	HK$'000	*HK$'000*
Loss before tax	**(236,506)**	(47,995)
Tax at the domestic income tax rate of 16.5% (2015: 16.5%)	**(39,023)**	(7,919)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**3,501**	738
Tax effect of income not taxable	**(101)**	(1,710)
Tax effect of expenses not deductible	**21,659**	3,620
Tax effect of taxes losses not recognised	**9,543**	5,071
Utilisation of tax losses previously not recognised	**(545)**	(476)
Income tax for the year	**(4,966)**	(676)

7. LOSS FOR THE YEAR

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

	2016	2015
	HK$'000	*HK$'000*
Cost of inventories sold	**26,780**	33,863
Depreciation of property, plant and equipment	**16,790**	16,497
Amortisation of intangible assets	**6,743**	5,672
Property, plant and equipment written off	**428**	9
Inventories written off	**1,207**	–
Operating lease rentals in respect of land and buildings	**4,179**	2,142
Auditors' remuneration	**856**	678
Staff costs (including Directors' remuneration):		
Salaries, allowances and other benefits in kind	**47,479**	39,005
Equity-settled share-based payment	**20,334**	8,648
Pension scheme contributions	**1,955**	1,636
Total staff costs	**69,768**	49,289
Impairment of inventories	**–**	222
Impairment of goodwill	**48,231**	10,819
Impairment of intangible assets	**34,753**	–
Impairment of property, plant and equipments	**15,275**	–
Exchange (gains)/losses*	**(496)**	1,337
Settlement sum in respect of a legal proceeding	**(400)**	(8,890)
Equity-settled share-based payment to consultants	**27,360**	–
Loss/(gain) on disposal of property, plant and equipment**	**707**	(586)

* *These items were included in administrative expenses.*

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

8. DIVIDEND

The Directors did not recommend the payment of any dividend for each of the years ended 31 March 2016 and 2015.

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 for the year attributable to owners of the Company of approximately HK$231,469,000 (2015: HK$47,319,000) and the weighted average number of 1,437,296,110 (2015: 1,101,484,949) 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 2016 and 2015 as the exercise of the Company's outstanding convertible notes and share options would be anti-dilutive.

10. INTANGIBLE ASSETS

	Supply and maintenance agreement *HK$'000*	**Service agreement** *HK$'000*	**Total** *HK$'000*
COST:			
At 1 April 2014, 31 March 2015, 1 April 2015 and 31 March 2016	47,952	2,238	50,190
ACCUMULATED AMORTISATION AND IMPAIRMENTS:			
At 1 April 2014	2,547	475	3,022
Provided for the year	4,792	880	5,672
At 31 March 2015 and 1 April 2015	7,339	1,355	8,694
Provided for the year	5,860	883	6,743
Impairment loss	34,753	–	34,753
At 31 March 2016	47,952	2,238	50,190
CARRYING AMOUNTS:			
At 31 March 2016	–	–	–
At 31 March 2015	40,613	883	41,496

11. GOODWILL

	2016	2015
	HK$'000	*HK$'000*
COST:		
At beginning and end of the reporting period	**160,329**	160,329
IMPAIRMENTS:		
At beginning of the reporting period	**112,098**	101,279
Impairment loss	**48,231**	10,819
At 31 March	**160,329**	112,098
CARRYING AMOUNTS:		
At 31 March	**–**	48,231

12. TRADE RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**950**	4,507

(a) The Group grants a credit period normally ranging from 0 to 45 days (for the year ended 31 March 2015: 0 to 90 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:

	2016	2015
	HK$'000	*HK$'000*
Within 60 days	**296**	3,586
61 to 90 days	**18**	8
91 to 180 days	**479**	18
181 to 365 days	**157**	895
	950	4,507

12. TRADE RECEIVABLES (Continued)

(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:

	2016	2015
	HK$'000	*HK$'000*
Neither past due nor impaired	**277**	2,356
Less than 60 days past due	**36**	1,233
61 to 90 days past due	**300**	4
91 to 180 days past due	**192**	19
Over 180 days past due	**145**	895
	950	4,507

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.

(e) The movements in impairment losses of trade receivables are as follows:

	2016	2015
	HK$'000	*HK$'000*
At beginning of the reporting period	–	3,220
Written off against trade receivables	–	(1,671)
Reversal during the year *(note 4)*	–	(1,549)
At 31 March	–	–

13. DEPOSITS AND OTHER RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Deposits for acquisition of property, plant and equipment	**88,807**	998
Deposits and prepayments	**18,322**	12,151
Deposits paid for game software development and licenses	**30,000**	30,000
	137,129	43,149
Less: Impairment losses	**(39,301)**	(39,301)
	97,828	3,848
Other receivables	**11,784**	11,605
Less: Impairment losses	**(3,000)**	(3,000)
	8,784	8,605
	106,612	12,453
Analysed as:		
Non-current assets:		
Deposits for acquisition of property, plant and equipment	**88,807**	998
Deposits and other receivables	**1,839**	1,938
	90,646	2,936
Current assets:		
Other receivables	**7,622**	6,667
Deposits and prepayments	**8,344**	2,850
	15,966	9,517
	106,612	12,453

Included in the impairment losses of deposits and other receivables are individually impaired amounts with an aggregate balance of approximately HK$42,301,000 (2015: 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.

14. TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade payables	**238**	2,346
Other payables and accrued expenses	**7,992**	8,107
	8,230	10,453

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

	2016	2015
	HK$'000	*HK$'000*
Within 60 days	**61**	1,775
61 to 90 days	**–**	288
91 to 180 days	**–**	3
181 to 365 days	**–**	3
Over 365 days	**177**	277
	238	2,346

(b) The average credit period on purchase of goods ranges from 30 to 90 days (2015: 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

Group Performance

The Group recorded revenue of approximately HK$153.7 million in the financial year ended 31 March 2016 ("FY2016"), representing a decrease of approximately HK$26.3 million or 14.6% from approximately HK$180 million in the financial year ended 31 March 2015 ("FY2015"), due mainly to a drop in the performance in the outsourced business process management and the decline in revenue and margin for the packaging products business.

The Group reported a net loss attributable to owners of the Company of approximately HK$231.5 million for FY2016 as compared with a net loss attributable to owners of the Company of approximately HK$47.3 million in FY2015. Apart from the decrease in revenue as stated, the increase in net loss was mainly caused by the following factors:–

1) Impairment losses on the goodwill of approximately HK$48.2 million (FY2015: HK$10.8 million) and intangible assets of approximately HK$34.8 million (FY2015: HK$NIL) in relation to the outsourced business process management in Macau. Due to changes in market condition, the Group has revised its cash flow forecasts for this business segment in Macau. With reference to the independent assessment report issued by an external professional valuer, the goodwill and intangible assets were impaired during the year; and

2) Increase in the operating, administrative and other expenses from approximately HK$92 million in FY2015 to approximately HK$174.4 million in FY2016. The Group's expansion of business in Vietnam resulted in high set up costs of approximately HK$53.8 million, which is mainly comprised of business consultancy fees paid for exploring and negotiating revenue generating contracts. In addition, the Group's staff costs in FY2016 was increased by approximately 41.6% from approximately HK$49.3 million in FY2015 to approximately HK$69.8 million in FY2016. This increase in staff costs was caused by a general increase in staffing following expansion of business, granting of share options for providing incentives and rewards to staff, and one-off compensation paid to the factory staff when the packaging products business of the Group was transformed from manufacturing to merely trading.

Outsourced Business Process Management

The Group's performance in the business of provision of services on management of electronic gaming equipment in Macau continues to be affected by the recession of the Macau gaming industry. The revenue from this segment in FY2016 was approximately HK$119.8 million (FY2015: approximately HK$132.9 million) and recorded a loss of approximately HK$113.9 million in FY2016 (FY2015: loss of approximately HK$21.6 million). This significant increase in loss was mainly due to the increase in impairment of goodwill and intangible asset as previously stated.

While the challenge in the Macau gaming industry may continue to exist in the coming year, the Group will continue to improve and enhance the operating efficiency in the casinos in which we currently provide management services. Apart from the business in Macau, the Group has been actively seeking opportunities to expand this segment of business in other emerging counties, with the first country being Vietnam. The Group has entered into two agreements for the purpose of engaging in provision of the electronic gaming machines management at the electronic gaming machine clubs located in two five-star hotels in Vietnam. The entering into of the agreements is expected to broaden the source of revenue and reinforce the Group's expansion plans. Please refer to the announcement of the Company dated 11 December 2015 for further details.

Packaging Products Business

The Group had been operating two factories located in Shenzhen and Huizhou for the manufacturing of packaging products for years. We have been facing challenges in the recent years particularly on the rising of factory costs and shortage of skilled workers. To lower the costs and achieve higher profitability, the Group streamlined the packaging products business by ceasing the manufacturing operations starting from year 2016. After the remodeling, there will be more flexibility in the product design, which can meet our strategy in developing high-end products and achieving higher profit margin.

In FY2016, the packaging products business contributed revenue of approximately HK$33.9 million, representing a decrease of approximately HK$13.2 million from approximately HK$47.1 million in FY2015. There were some one-off expenses recognized in FY2016 due to closure of the two factories, being staff compensation on dismissal and losses on disposal of assets in the total amount of approximately HK$9.4 million. Accordingly, the result of the packaging products business in FY2016 was significantly affected and become a net loss of approximately HK$13.0 million (FY2015: profit of approximately HK$1 million)

Information Technology Services Business

The Group has entered into three agreements for the provision of racing system in Vietnam in the last quarter of 2015. These agreements are expected to bring a substantial increase in revenue to the Group during the terms of the agreements starting from the third quarter of 2016.

To prepare for the operating of the IT services business in Vietnam, the Group has established a local office and a data and broadcast centre in Vietnam. The development and operating costs of the IT services business in FY2016 is approximately HK$53.8 million.

The Group will continue to focus on its core business as a gaming solution and service provider and strive to become one of the leading industry players in the region.

LIQUIDITY, FINANCIAL RESOURCES AND FOREIGN CURRENCY EXPOSURE

As at 31 March 2016, the bank and cash balances of the Group amounted to approximately HK$28.1 million. The Group had a liability component of the unsecured convertible notes of approximately HK$10.4 million. The convertible notes will be matured in September 2016.

The gearing ratio of loans against the total equity as at 31 March 2016 was 6.5%. 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 FY2016, apart from the convertible notes, 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

The Company did not have any material acquisition, disposal and significant investment in subsidiaries and affiliated companies during FY2016.

COMMITMENTS

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

(a) Commitments under operating leases

As lessor

At 31 March 2016, the Group had total future minimum sublease payments of nil (2015: approximately HK$543,000) expected to be received under non-cancellable operating leases within one year.

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 four years (2015: one to three 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:

	2016	2015
	HK$'000	*HK$'000*
Within one year	**4,356**	4,210
In the second to fifth years, inclusive	**4,813**	1,237
	9,169	5,447

(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$13,380,000 (2015: HK$2,314,000).

PLEDGE OF ASSETS

As at 31 March 2016, 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

In connection with the payment in the sum of HK$9,306,500 (the "Payment") made to Ms. Yung, the spouse of Mr. Cheng (being a former Director) and a former employee of the Company, purportedly for legal fees and expenses incurred by Mr. Cheng and Ms. Yung in relation to (i) the ICAC Investigation, details of which were disclosed in the announcements of the Company dated 13 September 2010, 7 October 2010, 7 March 2011 and 6 October 2011; and (ii) the legal proceedings in respect of the petition under section 168A of the old Hong Kong Companies Ordinance (alternative remedy to winding up in cases of unfair prejudice) details of which were disclosed in the announcements of the Company dated 21 April 2010, 24 January 2011, 27 January 2011, 27 April 2012 and 11 May 2012; in relation to the Payment, on 14 April 2011, the Company, as plaintiff, has issued an originating summons in the Court of First Instance at the High Court of Hong Kong (the "High Court") against Mr. Cheng, Ms. Yung, Mr. Ng Pui Lung (being a former Director), Mr. Wang Shanchuan (being a former Director) and Mr. Ho Chi Chung ("Mr. Joseph Ho", being a former Director and the former acting chief executive officer of the Group).

Pursuant to the Court Order dated 18 March 2013, the proceedings are stayed until the determination of Mr. Cheng's appeal against his conviction in District Court DCCC No. 476 of 2011 to the Court of Appeal.

By a notice of motion filed on 10 April 2014, Mr. Cheng sought leave to make an application out of time for a certificate under section 32(2) of the Hong Kong Court of Final Appeal Ordinance. On 12 June 2014, the Court of Appeal refused Mr. Cheng's application. Upon a further application by Mr. Cheng to the Appeal Committee of the Court of Final Appeal, leave to appeal was granted on 4 August 2014.

By the Court Order dated 25 June 2015, it was ordered that Ms. Yung be made a party to the final appeal in her capacity as personal representative of the estate of Mr. Cheng in substitution for Mr. Cheng and the appeal in DCCC No. 476 of 2011 be continued in the name of Ms. Yung in such capacity. On 21 March 2016, the Court of Final Appeal handed down a judgment whereby the appeal was allowed and the conviction against Mr. Cheng for conspiracy to defraud was quashed.

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

On 5 May 2011, the Company and Highsharp, a former wholly-owned subsidiary of the Company, as plaintiffs, issued a writ of summons in the High Court against, among others, Mr. Cheng, Ms. Yung, the personal representatives of Mr. Kok Teng Nam (deceased), Mr. Philip Yu and Agustus Investments Limited.

Pursuant to the Court Order dated 18 March 2013, the proceedings are stayed until the determination of Mr. Cheng's appeal against his conviction in District Court DCCC No. 476 of 2011 to the Court of Appeal. On 14 March 2014, the Court of Appeal handed down a judgment dismissing applications by Mr. Cheng and Mr. Philip Yu for leave to appeal against their conviction.

By a notice of motion filed on 10 April 2014, Mr. Cheng sought leave to make an application out of time for a certificate under section 32(2) of the Hong Kong Court of Final Appeal Ordinance. On 12 June 2014, the Court of Appeal refused Mr. Cheng's application. Upon a further application by Mr. Cheng to the Appeal Committee of the Court of Final Appeal, leave to appeal was granted on 4 August 2014.

By the Court Order dated 25 June 2015, it was ordered that Ms. Yung be made a party to the final appeal in her capacity as personal representative of the estate of Mr. Cheng in substitution for Mr. Cheng and the appeal in DCCC No. 476 of 2011 be continued in the name of Ms. Yung in such capacity. On 21 March 2016, the Court of Final Appeal handed down a judgment whereby the appeal was allowed and the conviction against Mr. Cheng for conspiracy to defraud was quashed.

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

On 6 May 2011, the Company and Ace Precise, a wholly owned subsidiary of the Company, as the Plaintiffs, issued a Writ of Summons in the High Court against Best Max Holdings Limited ("Best Max"), Mr. Lo Chun Cheong (being the sole director and registered shareholder of Best Max at the material times) ("Mr. Lo"), Mr. Cheng, Mr. Joseph Ho and Mr. Yeung Tak Hung Arthur ("Mr. Arthur Yeung", being the former chief operating officer of the Group (collectively referred to as the "Defendants")).

The hearing of Mr. Lo's striking out summons was heard on 7 February 2012. The judgment in respect of Mr. Lo's application to strike out his statement of claim was handed down on 3 June 2013, whereby it is ordered that the striking out application be dismissed (save that the claim against Mr. Lo for restitution of the sum of HK$12 million paid by the Company and/or Ace Precise pursuant to the convertible bond was struck out), and the remaining claims against Mr. Lo, including payment of the sum of HK$12,000,000.00 under the Guarantee given by him, an Order for indemnity, equitable compensation for dishonest assistance of breach of fiduciary duties and/or knowing receipt, all necessary accounts and inquiries and payment, transfer and/or delivery up of what is found due and damages for conspiracy to injure the economic interests of the Company and Ace Precise were not struck out and are still continuing. The pleadings stage had been completed and the stage of discovery was in progress.

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

On 11 June 2011, the Company, together with certain of its former wholly-owned subsidiaries, namely CYC Investments Limited, Sincere Land Holdings Limited, Hainan Treasure Way Enterprises Limited, Hainan Jiaying Internet Technology Company Limited, Suzhou C Y Foundation Entertainment and Investment Management Limited, CYC Investment Consultancy (Wuxi) Limited and Longpin Investment Consultancy (Shanghai) Company Limited, as plaintiffs (the "Plaintiffs"), issued an Originating Summons in the High Court against Mr. Cheng.

The first joint mediation session was held on 24 May 2013 and was concluded after the Plaintiffs and Mr. Cheng failed to reach any settlement. A Case Management Conference was held on 12 March 2014.

Witness statements and expert report(s) had been exchanged between the Plaintiffs and Mr. Cheng.

Two Case Management Conferences were held on 6 April 2016 and 12 April 2016 respectively, whereby the Court gave directions to the further conduct of the proceedings.

More details of the above litigations were disclosed in the 2010/11 to 2014/15 Annual Reports as well as 2011/12 to 2015/16 Interim Reports of the Company respectively, the Company will issue further announcements to update the status of the above outstanding litigations when appropriate.

EMPLOYEES AND REMUNERATION POLICY

The Group employed 82 permanent employees as at 31 March 2016, with 18 employees in Hong Kong, 25 employees in Macau and 39 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("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 2016.

The Company has sent a written confirmation to each of the three independent non-executive directors of the Company ("INEDs") requesting for their confirmation of independence 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.

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 2016 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.

    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.

AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee of the Company comprises three INEDs, namely Mr. LEUNG Po Hon (Chairman), Mr. YONG Peng Tak and Mr. ER Kwong Wah. 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 2016, with the Company's management and the external auditors.

INTERNAL CONTROL

The Board has engaged Moore Stephens Advisory Services 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 May 2016, 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the year under review, neither our 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
Carlos Luis SALAS PORRAS
Chairman and executive Director

Hong Kong, 16 May 2016

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