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 2018

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 2018 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 2018

	Notes	**2018** ***HK$'000***	2017 *HK$'000*
Revenue	4	**112,416**	151,228
Cost of sales		**(85,280)**	(118,147)
Gross profit		**27,136**	33,081
Other gain or loss, net	4	**25,068**	8,325
Selling and distribution costs		**(4,687)**	(4,599)
Operating, administrative and other expenses		**(69,988)**	(121,930)
Loss from operations		**(22,471)**	(85,123)
Impairment loss of various assets		**(102,515)**	(73,396)
Inventories written off		**(347)**	(261)
(Loss)/gain on disposal/deregistration of subsidiaries		**(1,591)**	1,075
Finance costs	5	**(1,494)**	(1,577)
Loss before tax		**(128,418)**	(159,282)
Income tax	6	**—**	—
Loss for the year	7	**(128,418)**	(159,282)

	Notes	**2018**	2017
		HK$'000	*HK$'000*
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Foreign currency translation reserve reclassified to profit or loss upon disposal/deregistration of subsidiaries		**3,632**	(1,061)
Exchange differences on translating foreign operations		**408**	(1,252)
Fair value changes of available-for-sale investments		**(105,451)**	3,108
Impairment loss of available-for-sale investments reclassified to profit or loss		**102,343**	—
Total other comprehensive income for the year, net of tax		**932**	795
Total comprehensive loss for the year		**(127,486)**	(158,487)
Loss for the year attributable to:			
Owners of the Company		**(131,612)**	(156,179)
Non-controlling interests		**3,194**	(3,103)
		(128,418)	(159,282)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(130,680)**	(155,384)
Non-controlling interests		**3,194**	(3,103)
		(127,486)	(158,487)
Loss per share (HK cents per share)			
Basic and diluted loss per share	9	**(6.35)**	(8.97)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 31 March 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
Non-current assets			
Property, plant and equipment		**24,059**	41,235
Available-for-sale investments	10	—	158,568
Deposits and other receivables	11	—	886
		24,059	200,689
Current assets			
Available-for-sale investments	10	**54,157**	—
Inventories		**240**	344
Trade receivables	12	—	1,790
Deposits and other receivables	11	**5,274**	10,964
Bank and cash balances		**1,205**	14,201
		60,876	27,299
Current liabilities			
Trade and other payables	13	**11,172**	23,524
		11,172	23,524
Net current assets		**49,704**	3,775
Total assets less current liabilities		**73,763**	204,464
Non-current liabilities			
Director's loan		**4,874**	—
Other loan		**5,330**	—
Shareholder's loan		—	17,392
		10,204	17,392
NET ASSETS		**63,559**	187,072

	Notes	**2018**	2017
		HK$'000	*HK$'000*
Capital and reserves			
Share capital		**20,737**	20,728
Reserves		**42,822**	169,543
Equity attributable to owners of the Company		**63,559**	190,271
Non-controlling interests		**—**	(3,199)
TOTAL EQUITY		**63,559**	187,072

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 address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. During the year, the address of the Company's principal place of business in Hong Kong has been changed from Unit 3503B-05, 35/F., 148 Electric Road, North Point, Hong Kong to Unit 403A, 4/F., Block B, Sea View Estate, 4–6 Watson Road, North Point, Hong Kong. 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 2017. 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 early applied the new HKFRSs that have been issued but are not yet effective. The directors anticipate that the new and revised HKFRSs will be adopted in the consolidated financial statements when they become effective.

Amendments to HKFRS 1	Deletion of short-term exemptions for first-time adopters[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 with HKFRS 4[1]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
HKFRS 16	Leases[2]
HK (IFRIC) 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKAS 28	Measuring an Associate or Joint Venture at Fair Value[2]
Amendments to HKAS 28	Long-term Interest in Associates and Joint Ventures[2]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 3, HKFRS11, HKAS 12 and HKAS 23	Annual Improvements to HKFRSs 2015–2017 Cycle[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after 1 January 2021
[4] No mandatory effective date is determined but is available for early adoption

The Group has already commenced an assessment of the impact of these new and revised HKFRSs. The directors anticipate that the application of new and revised HKFRSs will have no material impact on the result and the financial position of the Group except as described below:

a. HKFRS 9 Financial Instruments

The standard replaces HKAS 39 Financial Instruments: Recognition and Measurement.

The standard introduces a new approach to the classification of financial assets which is based on cash flow characteristics and the business model in which the asset is held. A debt instrument that is held within a business model whose objective is to collect the contractual cash flows and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at amortised cost. A debt instrument that is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling the instruments and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at fair value through other comprehensive income. All other debt instruments are measured at fair value through profit or loss. Equity instruments are generally measured at fair value through profit or loss. However, an entity may make an irrevocable election on an instrument-by-instrument basis to measure equity instruments that are not held for trading at fair value through other comprehensive income.

The requirements for the classification and measurement of financial liabilities are carried forward largely unchanged from HKAS 39 except that when the fair value option is applied changes in fair value attributable to changes in own credit risk are recognised in other comprehensive income unless this creates an accounting mismatch.

HKFRS 9 introduces a new expected-loss impairment model to replace the incurred-loss impairment model in HKAS 39. It is no longer necessary for a credit event or impairment trigger to have occurred before impairment losses are recognised. For financial assets measured at amortised cost or fair value through other comprehensive income, an entity will generally recognise 12-month expected credit losses. If there has been a significant increase in credit risk since initial recognition, an entity will recognise lifetime expected credit losses. The standard includes a simplified approach for trade receivables to always recognise the lifetime expected credit losses.

The de-recognition requirements in HKAS 39 are carried forward largely unchanged.

The new expected credit loss impairment model in HKFRS 9 may result in the earlier recognition of impairment losses on the Group's trade and other receivables and other receivables. The directors do not expect the impact to be material however.

b. HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 replaces all existing revenue standards and interpretations.

The core principle of the standard is that an entity recognises revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to become entitled in exchange for those goods and services.

An entity recognises revenue in accordance with the core principle by applying a 5-step model:

1. Identify the contract with a customer

2. Identify the performance obligations in the contract

3. Determine the transaction price

4. Allocate the transaction price to the performance obligations in the contract

5. Recognise revenue when or as the entity satisfies a performance obligation

The standard also includes comprehensive disclosure requirements relating to revenue.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity’s performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The directors expect that the adoption of HKFRS 15 will not have a material impact on the consolidated financial statements.

c. **HKFRS 16 Lease**

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

The Group's leased premises are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

The Group's future minimum lease payments under non-cancellable operating leases for its leased premises amounted to approximately HK$1,020,000 as at 31 March 2018. The Group will need to perform a more detailed assessment in order to determine the new assets and liabilities arising from these operating leases commitments after taking into account the transition reliefs available in HKFRS 16 and the effects of discounting.

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.

The operation of packaging products business and information technology services were disposed from the Group during the current year.

(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	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
REVENUE:								
Revenue from external customers	**107,014**	130,795	**5,402**	15,755	**—**	4,678	**112,416**	151,228
RESULTS:								
Segment (loss)/profit	**(11,622)**	(6,964)	**(913)**	174	**(2,756)**	(111,373)	**(15,291)**	(118,163)
Interest income							**2**	5
Unallocated income							**21,978**	2,828
Unallocated corporate expenses							**(31,270)**	(42,375)
Impairment loss of available-for-sale investments							**(102,343)**	—
Finance costs							**(1,494)**	(1,577)
Loss before tax							**(128,418)**	(159,282)

There are no sales between the reportable segments for both years ended 31 March 2018 and 2017.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment (loss)/profit represents the (loss)/profit of each segment without allocation of interest income, refund from service provider, waiver of other payables, impairment loss of available-for-sale investments, 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	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
ASSETS:								
Segment assets	**28,062**	43,721	**—**	2,090	**—**	4,507	**28,062**	50,318
Bank and cash balances							**1,205**	14,201
Available-for-sale investments							**54,157**	158,568
Unallocated corporate assets							**1,511**	4,901
Total assets							**84,935**	227,988
LIABILITIES:								
Segment liabilities	**3,728**	11,352	**—**	875	**—**	6,184	**3,728**	18,411
Other loan							**5,330**	—
Director's loan							**4,874**	—
Shareholder's loan							**—**	17,392
Unallocated corporate liabilities							**7,444**	5,113
Total liabilities							**21,376**	40,916

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 other loan, director's loan, shareholder's loan and unallocated corporate liabilities.

(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

	2018	2017
	HK$'000	HK$'000
Macau	**107,014**	130,795
Vietnam	**—**	4,507
Germany	**—**	648
United Kingdom	**1,390**	4,396
United Arab Emirates	**1,158**	2,965
United States of America	**1,129**	2,406
Italy	**457**	1,706
Hong Kong	**173**	874
South Africa	**52**	1,090
Monaco	**59**	655
Other countries	**984**	1,186
	112,416	151,228

No revenue from customer (2017: nil) 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:

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**495**	1,333
Macau	**23,564**	36,812
Vietnam	**—**	3,976
	24,059	42,121

(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	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	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	**1,363**	19,874	**—**	—	**—**	86,212	**506**	24	**1,869**	106,110
Depreciation of property, plant and equipment	**13,577**	10,378	**1**	39	**778**	24,607	**134**	325	**14,490**	35,349
Impairment loss of property, plant and equipment	**—**	—	**—**	—	**—**	71,237	**—**	—	**—**	71,237
Impairment loss of available-for-sale investments	**—**	—	**—**	—	**—**	—	**102,343**	—	**102,343**	—
Impairment loss of deposits and other receivables	**—**	—	**34**	—	**138**	2,159	**—**	—	**172**	2,159
Loss/(gain) on disposal of property, plant and equipment	**2**	—	**38**	—	**(357)**	(37)	**349**	—	**32**	(37)
Property, plant and equipment written off	**—**	—	**—**	—	**—**	1,861	**239**	—	**239**	1,861
Inventories written off	**347**	—	**—**	261	**—**	—	**—**	—	**347**	261

4. REVENUE AND OTHER GAIN OR LOSS, NET

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 gain or loss, net for the year is as follows:

	2018	2017
	HK$'000	*HK$'000*
Revenue:		
Provision of services on management of electronic gaming equipment in Macau	**107,014**	130,795
Trading of packaging products	**5,402**	15,755
Provision of information technology services to Vietnam pari-mutuel sector	**—**	4,678
	112,416	151,228

	2018	2017
	HK$'000	*HK$'000*
Other gain or loss, net:		
Management fee income	**3,120**	5,712
Mould and sample income	**—**	250
(Loss)/gain on disposal of property, plant and equipment	**(32)**	37
Interest income	**2**	5
Refund from service provider *(Note)*	**17,871**	—
Waiver of other payables	**3,572**	—
Sundry income	**—**	605
Reversal of equity-settled share-based payments	**535**	1,716
	25,068	8,325

Note: The Group had paid for consultancy service fee to a consultant of information technology services segment during the year ended 31 March 2016. Reference to revocation of business consultancy agreement, the consultant agreed to refund the consultancy service fee to the Group during the year ended 31 March 2018.

5. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest expenses on borrowings		
— Imputed interest on other loan	**1,388**	—
— Imputed interest on director's loan	**106**	—
— Imputed interest on shareholder's loan	**—**	863
— Imputed interest on convertible notes	**—**	714
	1,494	1,577

6. INCOME TAX

No provision for Hong Kong profits tax is required since the Group has no assessable profits for the years ended 31 March 2018 and 31 March 2017.

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 2018 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):

	2018	2017
	HK$'000	*HK$'000*
Cost of inventories sold	**4,840**	11,559
Depreciation of property, plant and equipment	**14,490**	35,349
Property, plant and equipment written off	**239**	1,861
Operating lease rentals in respect of land and buildings	**3,535**	5,886
Auditor's remuneration	**950**	1,270
Staff costs (including Directors' remuneration):		
Salaries, allowances and other benefits in kind	**25,677**	40,895
Equity-settled share-based payment	**3,737**	923
Pension scheme contributions	**375**	886
Total staff costs	**29,789**	42,704
Inventories written off	**347**	261
Impairment loss of various assets		
Available-for-sale investments	**102,343**	—
Property, plant and equipment	**—**	71,237
Deposit and other receivables	**172**	2,159
	102,515	73,396
Exchange losses	**286**	2,068
Equity-settled share-based payments to a consultant	**—**	421
Loss/(gain) on disposal of property, plant and equipment	**32**	(37)

8. DIVIDEND

The Directors do not recommend the payment of any dividend for each of the years ended 31 March 2018 and 2017.

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$131,612,000 (2017: HK$156,179,000) for the year attributable to owners of the Company and the weighted average number of 2,073,608,876 (2017: 1,741,351,383) 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 2018 and 2017 as the exercise of the Company's outstanding share options would be anti-dilutive.

10. AVAILABLE-FOR-SALE INVESTMENTS

	2018	2017
	HK$'000	*HK$'000*
Unlisted equity securities, at fair value	**54,157**	158,568

During the year of 2017, the Group invested HK$155,460,000 in Primus Power Corporation ("Primus"), a company incorporated in United State of America and acquired 73,251,487 Series E Preferred Shares (the "Primus Shares"). As at 31 March 2018, the Primus shares represented approximately 20.8% of the enlarged issued share capital of Primus upon full conversion of all issued preferred shares but before the exercise of options granted under the employees share option plan and warrants issued by Primus. Due to certain contractual arrangements with the other shareholders of Primus, the Group is unable to exercise significant influence over Primus and the investment is classified as available-for-sale financial assets.

Fair value loss of available-for-sale investments of approximately HK$105,451,000 had been recognised (including impairment loss of available-for-sale investments reclassified to profit or loss of approximately HK$102,343,000 had been recognised in profit or loss during the year ended 31 March 2018) (2017: Fair value gain of available-for-sale investments of approximately HK$3,108,000).

As at 31 March 2018, available-for-sale investments were reclassified from non-current asset to current asset as the management expected that available-for-sale investments would be disposed within twelve months.

11. DEPOSITS AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Deposits paid for acquisition of property, plant and equipment	**161**	499
Deposits and prepayments	**2,220**	15,972
Deposits paid for game software development and licenses	**30,000**	30,000
	32,381	46,471
Less: Impairment losses	**(31,468)**	(40,720)
	913	5,751
Other receivables	**7,361**	9,839
Less: Impairment losses	**(3,000)**	(3,740)
	4,361	6,099
	5,274	11,850
Analysed as:		
Non-current assets		
Deposits paid for acquisition of property, plant and equipment	**—**	499
Deposits and other receivables	**—**	387
	—	886
Current assets		
Other receivables	**4,361**	6,099
Deposits and prepayments	**913**	4,865
	5,274	10,964
	5,274	11,850

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$34,468,000 (2017: HK$44,460,000) 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

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	—	1,790

(a) The Group grants a credit period normally ranging from 0 to 45 days (2017: 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:

	2018	2017
	HK$'000	*HK$'000*
Within 60 days	—	1,622
61 to 90 days	—	66
91 to 180 days	—	72
181 to 365 days	—	30
	—	1,790

(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:

	2018	2017
	HK$'000	*HK$'000*
Neither past due nor impaired	—	743
Less than 60 days past due	—	927
61 to 90 days past due	—	85
91 to 180 days past due	—	5
Over 180 days past due	—	30
	—	1,790

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

	2018	2017
	HK$'000	*HK$'000*
Trade payables	—	6,234
Other payables and accrued expenses	**11,172**	17,290
	11,172	23,524

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

	2018	2017
	HK$'000	*HK$'000*
Within 60 days	—	1,185
61 to 90 days	—	260
91 to 180 days	—	1,937
181 to 365 days	—	2,714
Over 365 days	—	138
	—	6,234

(b) The average credit period on purchase of goods ranges from 30 to 90 days (2017: 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$112.4 million for the financial year ended 31 March 2018 ("FY2018" or the "Year"), versus approximately HK$151.2 million in the financial year ended 31 March 2017 ("FY2017"), a decrease of approximately HK$38.8 million. During the Year, the Group was principally engaged in provision of outsourced business process management for electronic gaming machines in Macau (the "Outsourced Business Process Management") and packaging products business. During the Year, the business of provision of information technology services to Vietnam pari-mutuel sector was discontinued due to the changes in regulatory environment in Vietnam. In light of the change in the market in relation to trading of packaging products for luxury goods in recent years, the Company considered that the line of business undertaken by such segment will no longer bring satisfactory return to the Group in future. As a result, the Company decided to dispose of the operations of the information technology services in Vietnam and packaging products business in Hong Kong during the Year. The Group considered it would be more beneficial to reallocate its resources to and strengthen the existing business and operations, namely, Outsourced Business Process Management, which is the core focus of the Group.

Outsourced Business Process Management

The management of electronic gaming equipment operation in Macau contributed over 95% of the Group's revenue during the Year, revenue generated from the Outsourced Business Process Management decreased by approximately 18.2% from approximately HK$130.8 million in FY2017 to approximately HK$107.0 million in FY2018. The decrease was mainly attributable to the intense competition in the Macau gaming market faced by the Group. Despite the cost control measures have been implemented by the Group in Macau operations, the loss from such segment increased. The loss from this captioned segment during the Year was approximately HK$11.6 million compare with loss of approximately HK$7.0 million during FY2017 which is mainly due to the heavy operating cost and worse performance of one of the operation outlets located at the Landmark Macau. As a result, the management of the Group decided to cease such operation at the Landmark Macau during the Year.

During FY2017, 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

During the Year, the Company disposed of the operation of packaging products business due to the reason stated above. On 31 August 2017, the Company disposed of such operation to an independent third party (the "Purchaser") of the Group, save and except that the Purchaser was a managerial staff of the Group, at a cash consideration of HK$2 million.

Regarding the packaging products business, the Group recorded revenue of approximately HK$5.4 million and loss of approximately HK$0.9 million during the Year, as opposed to revenue of approximately HK$15.8 million and gain of approximately HK$0.2 million in FY2017.

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.

No revenue had been generated from this segment in FY2018 (FY2017: approximately HK$4.7 million) and a loss of approximately HK$2.8 million had been incurred (FY2017: loss of approximately HK$111.4 million).

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. The Group has made an investment in Primus, a USA company principally engaged in the provision of electrical energy storage system solutions. The Company is constantly reviewing the performance of Primus and reviewing its strategy on its investment in Primus.

FINANCIAL REVIEW

During FY2018, the Outsourced Business Process Management business continued to be the Group's core business which contributed approximately 95.2% (FY2017: approximately 86.5%) of the Group's total revenue. The revenue derived from this business segment was approximately HK$107.0 million, representing a decrease of approximately 18.2% (FY 2017: approximately HK$130.8 million). For the packaging products business, revenue decreased by approximately 65.7% due to the reason stated above and the fact that it was disposed of on 31 August 2017. The revenue derived from the packaging products business during FY2018 was approximately HK$5.4 million (FY2017: approximately HK$15.8 million). During FY2018, no revenue was generated from the information technology services business following its termination with effect from 28 June 2017 according to the announcement published on the same date, in whilst, it had contributed revenue of approximately HK$4.7 million to the Group in FY2017. At the close of the FY2018, the Group recorded a total revenue of approximately HK$112.4 million (FY2017: approximately HK$151.2 million), representing a decrease of approximately 25.7%.

The Group reported a net loss attributable to owners of the Company of approximately HK$131.6 million for FY2018 (FY2017: approximately HK$156.2 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$121.9 million in FY2017 to approximately HK$70.0 million in FY2018. The major reason lies in the decrease in staff costs and depreciation of property, plant and equipment. The Group's staff costs in FY2018 decreased by approximately 30.2% from approximately HK$42.7 million in FY2017 to approximately HK$29.8 million in FY2018.

ii) Decrease in the accounting loss arising from impairment of various assets of approximately HK$102.5 million. For FY2018, an impairment loss of approximately HK$102.3 million was recognized on the investment in Primus with reference to fair value appraised by an independent professional valuer.

LIQUIDITY, FINANCIAL RESOURCES AND FOREIGN CURRENCY EXPOSURE

As at 31 March 2018, the bank and cash balances of the Group amounted to approximately HK$1.2 million.

The gearing ratio of loans against the total equity as at 31 March 2018 was 16.1%. As the majority of bank deposits and cash on hand were denominated in Hong Kong dollar, followed by Macau Pataca and US dollar, 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 FY2018, 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 31 August 2017, the Company entered into the disposal agreement, pursuant to which the Company has agreed to sell the entire issued share capital of Ace Luck International Limited, a then subsidiary of the Company, at a total cash consideration of HK$2 million.

    Further details of the disposal are described in the Company's announcement dated 31 August 2017.

Saved as disclosed above, the Group did not have any material acquisition, disposal and significant investment during FY2018.

FUTURE DEVELOPMENTS IN THE BUSINESS OF THE GROUP

Looking ahead, in addition to the Group's commitment to the development of its core business, the Board seeks to open up different revenue channels in different markets, achieving sustainable growth in the next few years and elevate itself to be a major player in high growth industries and markets. In particular, the Group will leverage on its experience and know-how in the existing businesses to capture market opportunities in technology-related sectors.

In the normal course of our Outsourced Business Process Management, we have encountered the possibilities of applying Blockchain technologies to complement or expand our business operations, in view to improve not only their operational efficiency but also increasing the scope of business. This led us to engaging resource in identifying and evaluating emerging fintech opportunities across the industries we have serviced. In particular, we found that Blockchain outside of cryptocurrency application has potential in addressing the requests we have received. To better position ourselves to capture these potential opportunities, in the near future, the Company wishes to form strategic partnership with and invest tactically into leading fintech companies, and to realign our resources in rebuilding our information technology services business. Given the high scalability of the technology involved, venturing into fintech will likely strengthen our local presence while expanding our regional and global footprint in order to deliver strong and sustainable returns to the shareholders of the Company.

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 REPORTING PERIOD

As of the approval date on these consolidated financial statements, the Group had no significant events after the reporting period which need to be disclosed.

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 two years (2017: one to five 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:

	2018	2017
	HK$'000	*HK$'000*
Within one year	**726**	5,113
In the second to fifth years, inclusive	**294**	696
	1,020	5,809

(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$nil (2017: HK$6,897,000).

PLEDGE OF ASSETS

As at 31 March 2018, no asset was pledged by the Group.

LITIGATIONS

(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 reports since 2010/2011 and interim reports since 2011/2012.

There 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 reports since 2010/2011 and interim reports since 2011/2012.

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 reports since 2010/2011 and interim reports since 2011/2012.

There was no other 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 reports since 2010/2011 and interim reports since 2011/2012.

By the order of the Court on 20 November 2017, the Case Management Summons Hearing ("**CMS Hearing**") was adjourned to 20 March 2018.

By the order of the Court on 5 December 2017, the hearing of the Summons filed on 1 November 2016 for the withdrawal of the following claims:

(1) the 1st to 3rd Plaintiffs' claim under Paragraph (9) of the Prayer for relief in the Amended Statement of Claim; and

(2) the 4th to 8th Plaintiffs' claim under Paragraph (8) of the Prayer for relief in the Originating Summons,

i.e. an Order that the Mr. Cheng does sign all documents, does all things and takes all steps necessary for the appointment of the nominee of the 4th to 8th Plaintiffs (as the case may be) for the change of the offices, titles and positions in the 4th to 8th Plaintiffs was adjourned to 20 March 2018 to be dealt with at the CMS Hearing.

By the order of the Court on 19 March 2018, the CMS Hearing on 20 March 2018 was vacated and adjourned to 1 August 2018.

EMPLOYEES AND REMUNERATION POLICY

The Group employed 47 permanent employees as at 31 March 2018, with 5 employees in Hong Kong and 42 employees in Macau.

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 of the Company (the "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 2018.

The Company has sent a written confirmation to each independent non-executive director of the Company ("INED") requesting for their confirmation of independence during the financial year ended 31 March 2018 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 2018.

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 2018 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.

    The roles of chairman and CEO of the Company were both performed by Mr. TAN Teng Hong ("Mr. Tan"), an executive Director of the Company with effect from 7 June 2017. The Board considers that having Mr. Tan to act as the chairman and CEO 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 three INEDs, namely Mr. YONG Peng Tak (Chairman), Mr. CHI Dong Eun 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 2018, with the Company's management and the external auditors.

INTERNAL CONTROL

The Board has engaged World Link Corporate Finance 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 2018, 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 2018 as set out in this 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 2018. 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 this 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.

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company will be held on 14 September 2018 ("2018 AGM").

The register of members of the Company will be closed during the periods from 11 September 2018 to 14 September 2018, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders' eligibility to attend and vote at the 2018 AGM. In order to be eligible to attend and vote at the 2018 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar, Tricor Secretaries Limited at Level 22, Hopewell Centre 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 10 September 2018.

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

Hong Kong, 27 June 2018

As at the date of this announcement, the board comprises two executive directors, namely Mr. TAN Teng Hong and Mr. DING Lei; and five independent non-executive directors, namely Mr. YONG Peng Tak, Mr. CHUNG Yuk Lun, Mr. CHI Dong Eun, Mr. DENG Yougao and Ms. WONG Chi Yan.