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Dragonite International Limited

叁龍國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 329)

- (i) MAJOR TRANSACTION-PROPOSED ACQUISITION OF
THE ENTIRE ISSUED SHARE CAPITAL OF
CENTRAL TOWN LIMITED AND
POSSIBLE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF
APEX CORPORATE INVESTMENTS LIMITED UNDER THE OPTIONS
AND
(ii) PLACING OF NEW SHARES ON A FULLY UNDERWRITTEN BASIS UNDER
SPECIFIC MANDATE
AND
(iii) RESUMPTION OF TRADING**

PLACING AGENT

CHUNG NAM SECURITIES LIMITED

THE ACQUISITION

On 4 May 2011, the Purchaser, a wholly-owned subsidiary of the Company, entered into the S&P Agreement with the Vendor in relation to the Acquisition of the Sale Share and Shareholders Loan for an aggregate consideration of HK\$117,000,000. The Sale Share represents the entire issued share capital of the PropertyCo.

The PropertyCo, through its wholly-owned subsidiary, owns the Property. Upon completion of the S&P Agreement, the registered owner of the Property (as landlord) and Vendor or its nominee (as tenant) will enter into a tenancy agreement to lease a portion (approximately 9,749 square feet) of the Property for a period of five years at a monthly rental of HK\$350,000. It is intended that a Chinese medicine clinic will be operated by a company wholly-owned by the ClinicCo under the name of "Hon Chinese Medicine Clinic".

THE OPTIONS

Upon completion of the proposed Acquisition, the Vendor and the Purchaser will enter into the Options Agreement pursuant to which the Vendor will grant a Call Option to the Purchaser, and the Purchaser will grant a Put Option to the Vendor, in respect of the Option Shares and Option Shareholders Loan. The Option Shares represent the entire issued share capital of the ClinicCo at the time of completion of the sale and purchase of the Option Shares pursuant to the Options Agreement.

The Options may be exercised once only during the option period (being five years from the date of the Options Agreement) at an option price ranging from HK\$25 million to HK\$75 million, further detail of determination of the option price is set out below.

THE PLACING

On 4 May 2011, the Placing Agent and the Company entered into the Placing Agreement pursuant to which the Company agreed to place, through the Placing Agent, an aggregate of 750,000,000 Placing Shares, on a fully underwritten basis, to not fewer than six Placees at a price of HK\$0.145 per Placing Share.

The 750,000,000 Placing Shares represents (i) approximately 38.1% of the existing issued share capital of the Company of 1,967,307,502 Shares as at the date of this announcement; and (ii) approximately 27.6% of the issued share capital of the Company of 2,717,307,502 Shares as enlarged by the Placing.

The Placing is conditional upon (a) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in all of the Placing Shares; and (b) the passing of a resolution by the Shareholders approving the allotment and issue of the Placing Shares at the EGM.

The aggregate gross proceeds and net proceeds from the Placing will be approximately HK\$108.75 million and HK\$105.56 million, respectively, and are intended to be utilised as general working capital of the Group and/or allocated for the Group's future investments, including the Acquisition.

As the Placing is subject to the fulfilment and/or waiver of a number of conditions precedent in the Placing Agreement, the Placing may or may not complete. Shareholders and potential investors should exercise caution when dealing in the Shares.

GENERAL

The transactions contemplated under the S&P Agreement and the Options Agreement, (including the Acquisition and the acquisition of the Option Shares and Option Shareholders Loan under the Options) constitute major transaction of the Company under Chapter 14 of the Listing Rules, are therefore subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules. An EGM will be convened and held for the purposes of considering and, if thought fit, approving the transactions contemplated under the S&P Agreement and the Options Agreement (including the Acquisition and the acquisition of the Option Shares and Option Shareholders Loan under the Options) and the Placing.

As, to the best knowledge of the Directors having made reasonable enquiry, no Shareholder has any material interest in the S&P Agreement, the Options Agreement or the Placing, no Shareholder is required to abstain from voting at the EGM.

A circular containing, amongst other things, further particulars of the Acquisition, the Options and the Placing, and a notice convening the EGM will be despatched to Shareholders as soon as practicable. It is currently expected that it will take about four weeks for the Company to prepare the accountants' report on the PropertyCo for inclusion in the circular. Accordingly, the date of dispatch of circular is expected to be on or before 3 June 2011.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on Thursday, 5 May 2011 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:00 a.m. on Monday, 9 May 2011.

ACQUISITION

Date of S & P Agreement

4 May 2011

Parties

- (i) the Vendor, an investment holding company wholly-owned by Heritage
- (ii) the Purchaser, an investment holding company wholly-owned by the Company
- (iii) Heritage, as guarantor of the Vendor's obligations under the S&P Agreement
- (iv) the Company, as guarantor of the Purchaser's obligations under the S&P Agreement

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, each of the Vendor and Heritage is an Independent Third Party. Heritage is an investment holding company whose shares are listed on the Stock Exchange. Its subsidiaries are principally engaged in property related investments, investment in securities, investment in advertising and lottery related businesses and money-lending businesses.

Assets to be Acquired

The Sale Share, representing the entire issued share capital of the PropertyCo, and the Shareholders Loan. As at 31 March 2011, the Shareholders Loan amounts to approximately HK\$122.6 million.

The PropertyCo wholly-owns E-Garden Properties Limited (a company incorporated under the laws of British Virgin Islands), which in turn wholly-owns East Champion Limited. East Champion Limited is the registered owner of the Property. The PropertyCo has never carried on any business since its incorporation on 31 March 2008 apart from its acquisition of E-Garden Properties Limited (which through its interest in East Champion Limited held the Property) in April 2008. Each of the subsidiaries of the PropertyCo is an investment holding company and has never carried on any business since their incorporation. Based on the unaudited consolidated statement of comprehensive income of the PropertyCo, the consolidated net profit (both before and after taxation and extraordinary items) for the financial years ended 31 March 2010 and 31 March 2011 were approximately HK\$42 million and HK\$4.3 million respectively.

The PropertyCo's sole material asset is its indirect interest in the Property. Based on the unaudited consolidated statement of financial position of the PropertyCo, the net liabilities of the PropertyCo as at 31 March 2011 was approximately HK\$1.3 million.

Conditions Precedent

Completion of the Acquisition is conditional upon the followings:

- (a) the Purchaser having conducted and completed due diligence on the PropertyCo and ClinicCo and their respective subsidiaries and title investigation on the Property, and being satisfied with the results of such due diligence and title investigations in its absolute discretion;
- (b) the approval of the S&P Agreement and transactions contemplated thereunder (including the grant and exercise of the Options) by shareholders of Heritage who are permitted to vote in accordance with the Listing Rules, if required;
- (c) the approval of the S&P Agreement and transactions contemplated thereunder (including the grant and exercise of the Options) by the Shareholders who are permitted to vote in accordance with the Listing Rules, if required;
- (d) the compliance by Heritage and the Company with all the necessary requirements under the Listing Rules;

- (e) if applicable, the obtaining of all consents or waiver from government or regulatory authorities or third parties (including the existing mortgagee of the Property) which are necessary in connection with the execution and performance of the S&P Agreement and any of the transaction contemplated thereunder; and
- (f) no events, facts or circumstance, which has constituted or may constitute any breach of any provisions of this Agreement has happened on or before the date of completion of the Acquisition.

Conditions (a), (c) and (e) may be waived by the Purchaser in writing. In the event that any of the conditions is not fulfilled or waived (as the case may be) or the Purchaser gives notice to the Vendor in writing with reason that any such condition is not capable of being fulfilled on or before 16 September 2011 (or such later date as the parties may otherwise agree from time to time), the S&P Agreement shall become void and of no further effect and save in respect of any antecedent breaches, all liabilities of the parties hereunder shall cease and determine provided that such termination shall be without prejudice to any rights or remedies of the parties hereto which shall have accrued prior to such termination and the Vendor's obligation to refund the deposit paid by the Purchaser.

Consideration

The aggregate consideration for the Sale Share and the Shareholders Loan is HK\$117,000,000, of which HK\$11,700,000 has been paid, as deposit, on the date of S&P Agreement and the balance of HK\$105,300,000 is payable on the date of completion of the Acquisition. On termination of the S&P Agreement, the Vendor shall within three business days (defined under the S&P Agreement) of such termination refund the deposits paid by the Purchaser without interest.

The consideration was determined after arm's length negotiations between the Company and Heritage after taking into consideration (i) the valuation of HK\$145 million as at 31 March 2011 conducted by an independent valuer based on direct comparison method; (ii) the outstanding mortgage loan in respect of the Property in an amount of approximately HK\$28.5 million as at 31 March 2011; and (iii) the consolidated net liabilities of approximately HK\$1.3 of the PropertyCo as at 31 March 2011.

The Group will fund the Acquisition from internal resources and/or the proceeds of the Placing.

Tenancy in relation to the Property

Upon completion of the S&P Agreement, the registered owner of the Property (as landlord) and the Vendor or its nominee (as tenant) will enter into a tenancy agreement to lease a portion (approximately 9,749 square feet) of the Property to the Vendor or its nominee for a period of five years at a monthly rental of HK\$350,000. It is intended that a Chinese medicine clinic will be operated by HON Chinese Medicine Company Limited, a company wholly-owned by the ClinicCo under the name of "Hon Chinese Medicine Clinic".

THE OPTIONS

Upon completion of the proposed Acquisition, the Vendor and the Purchaser will enter into the Options Agreement pursuant to which (i) the Vendor will grant a Call Option to the Purchaser to require the

Vendor to sell the Option Shares and to assign or procure the assignment by the legal and beneficial owners of the Option Shareholders Loan to the Purchaser or its nominees, and (ii) the Purchaser will grant a Put Option to the Vendor to require the Purchaser to purchase the Option Shares and Option Shareholders Loan. The Option Shares represent the entire issued share capital of the ClinicCo at the time of completion of the sale and purchase of the Option Shares pursuant to the Options Agreement.

The Options may be exercised once only during the option period (being five years from the date of the Options Agreement) at an option exercise price to be determined as follows:-

- (1) if the ClinicCo's audited consolidated statement(s) of comprehensive income for the year ending 31 March 2012 or any accounting period subsequent thereto has not been released and issued, the option exercise price will be HK\$25,000,000; and
- (2) if the ClinicCo's audited consolidated statement(s) of comprehensive income for the year ending 31 March 2012 or any accounting period subsequent thereto has been released and issued,
 - (a) in the case of the exercise of the Call Option, the option exercise price will be the higher of:
 - (i) HK\$25 million; or
 - (ii) the lower of 10 times EBITDA or HK\$75 million; and
 - (b) in the case of the exercise of the Put Option, the option exercise price will be the higher of:
 - (i) HK\$25 million; or
 - (ii) the lower of 5 times EBITDA or HK\$75 million.

The calculation of option exercise price was determined after arm's length negotiations between the Company and Heritage after taking into consideration the estimated amount to be invested into the ClinicCo. The Vendor will be required under the Options Agreement to contribute and not withdraw, until the earlier of the expiry of the option period or the exercised of the Options, whether by way of equity or interest free shareholders loan, an aggregate amount of not less than HK\$25 million into the ClinicCo. The Group intends to fund the purchase price for the Option Shares and Option Shareholders Loan from internal resources of the Group.

The ClinicCo is an investment holding company and an indirect wholly-owned subsidiary of Heritage. The ClinicCo wholly owns HON Chinese Medicine Company Limited (a company incorporated in Hong Kong), which is intended to operate a Chinese medicine clinic at the Property. Each of the ClinicCo and HON Chinese Medicine Company Limited has not yet commenced any business since its incorporation on 29 October 2010 and 22 November 2010 respectively. Based on the unaudited consolidated statement of comprehensive income of the ClinicCo, the consolidated net loss (before and after taxation and extraordinary items) for the period since its incorporation to 31 March 2011 was approximately HK\$57,665. Based on the unaudited consolidated statement of financial position of the ClinicCo, the net liabilities of the ClinicCo as at 31 March 2011 was approximately HK\$57,658.

THE PLACING UNDER SPECIFIC MANDATE ON A FULLY UNDERWRITTEN BASIS

The Placing Agreement

Date

4 May 2011

Issuer

The Company

Placing Agent

The Placing Agent, Chung Nam Securities Limited, has conditionally agreed to place an aggregate of 750,000,000 Placing Shares on a fully underwritten basis and will receive a placing commission of 2.5% on the gross proceeds of the number of Placing Shares being placed. The Directors (including the independent non-executive Directors) are of the view that the placing commission of 2.5% is fair and reasonable. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agent is a third party independent of and not connected with the Company and its connected persons (as defined in the Listing Rules).

Placees

The Placing Agent agreed to place the Placing Shares on a fully underwritten basis, to not fewer than six Placees who, to the best of the knowledge and belief of the Placing Agent, are individuals, professional or institutional investors who are independent of and not acting in concert with the directors, chief executives or substantial shareholders of the Company, any of its subsidiaries or their respective associates (as defined in the Listing Rules). The Placing Agent will procure that none of the Placees will become a substantial Shareholder (as defined in the Listing Rules) immediately after completion of the Placing.

Placing Price

The Placing Price of HK\$0.145 represents (i) a discount of approximately 17.61% to the closing price of HK\$0.176 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) a discount of approximately 17.14% to the average closing price of approximately HK\$0.175 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of the Placing Agreement. The net placing price under the Placing is approximately HK\$0.141 per Placing Share.

The Placing Price was determined after arm's length negotiation between the Company and the Placing Agent with reference to the prevailing market price of the Shares. The Directors consider that the terms of the Placing are fair and reasonable based on the current market conditions and the Placing is in the interests of the Company and the Shareholders as a whole.

The Placing Shares

The 750,000,000 Placing Shares represents (i) approximately 38.1% of the existing issued share capital of the Company of 1,967,307,502 Shares as at the date of this announcement; and (ii) approximately 27.6% of the issued share capital of the Company of 2,717,307,502 Shares as enlarged by the Placing. The aggregate nominal value of the Placing Shares under the Placing will be HK\$75 million.

Ranking of the Placing Shares

The Placing Shares rank pari passu among themselves and with the existing Shares in issue, including as to the right to receive all dividends and distributions which may be declared made or paid after the date of completion of the placing and will be issued free and clear of all liens, encumbrances, equities or other third party rights.

Conditions of the Placing

The Placing is conditional upon:

- (a) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in all of the Placing Shares; and
- (b) the passing of a resolution by the Shareholders approving the Placing Agreement and the transactions contemplated thereunder including the allotment and issue of the Placing Shares at the EGM.

Mandate to issue the Placing Shares

The Placing Shares to be issued under the Placing Agreement will be issued pursuant to a specific mandate to be obtained at the EGM.

Completion of the Placing

If the conditions set out in the Placing Agreement are not fulfilled on or before 16 September 2011 (or such later date as may be agreed by the Company and the Placing Agent), the Placing Agreement will terminate and none of the parties to the Placing Agreement will have any claim against the other for any costs or losses. The completion of the Placing will take place not later than the second Business Day after the Placing Agreement becoming unconditional (or such later date as the Company and the Placing Agent may agree).

Termination and force majeure

The Placing Agreement may be terminated by the Placing Agent if at any time before 10:00 a.m. on the date of completion of the Placing Agreement, if in its absolute opinion, the success of the Placing or the business or financial prospects of the Group would or might be materially and adversely affected by:

- (i) any material breach of any of the representations and warranties under the Placing Agreement; or
- (ii) any of the following events:
 - (a) the introduction of any new law or regulation or any change in existing laws or regulations or change in the interpretation or application thereof; or
 - (b) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events or changes occurring or continuing before, on and/or after the date hereof and including an event or change in relation to or a development of an existing state of affairs) of a political, military, industrial, financial, economic or other nature, whether or not sui generis with any of the foregoing, resulting in a material adverse change in, or which might be expected to result in a material adverse change in, political, economic or stock market conditions; or
 - (c) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise; or
 - (d) a change or development involving a prospective change in taxation in Hong Kong or the Cayman Islands or the implementation of exchange controls which shall or might materially and adversely affect the Group (as a whole) or its present or prospective shareholders in their capacity as such; or
 - (e) any change or deterioration in the conditions of local, national or international securities markets occurs,

then and in any such case, the Placing Agent may terminate this Agreement without liability to the Company by giving notice in writing to the Company, provided that such notice is received prior to 10:00 a.m. on the date of completion of the Placing.

In the event that the Placing Agent terminates the Placing Agreement pursuant to the terms of the Placing Agreement, all obligations of each of the parties under the Placing Agreement, shall cease and determine and no Party shall have any claim against any other party in respect of any matter arising out of or in connection with the Placing Agreement except for any breach arising prior to such termination.

APPLICATION FOR LISTING

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save as disclosed below, the Company has not conducted any other fund raising activities in the past twelve months before the date of this announcement:

Date of announcement	Fund Raising Activity	Net proceeds raised (HK\$) (approx.)	Intended use of proceeds	Actual use of proceeds
30 March 2011	Subscription of 18,470,000 new shares at a price of HK\$0.16 per subscription share which was completed on 12 April 2011	2.86 million	It was intended to use for working capital.	Not yet utilised
21 July 2010	Rights issue of not less than 1,847,245,240 rights shares and not more than 2,478,902,780 rights shares at a price of HK\$0.22 per rights share on the basis of twenty rights share for every Share held on the record date, which became unconditional on 26 January 2011.	390.65 million	It was intended to use (i) for general working capital and strengthening the financial position of the Company; and (ii) to pursue any opportunities which may arise as a result of the patent application for electronic atomisation cigarette approved in the United States.	Used as intended and also for securities investment
11 June 2010	Placing of 332,721,166 Shares at a price of HK\$0.10 per then share, which was completed on 25 June 2010.	33.27 million	It was intended to apply for the settlement of short-term loan and as general working capital.	Used as intended

Date of announcement	Fund Raising Activity	Net proceeds raised (HK\$) (approx.)	Intended use of proceeds	Actual use of proceeds
20 April 2010 & 29 April 2010	Rights issue of not less than 831,802,916 rights shares and not more than 941,128,769 rights shares at a price of HK\$0.10 per rights share on the basis of one rights share for every two shares held on the record date, which became unconditional on 3 June 2010.	76.72 million	It was intended to use (i) HK\$10 million for general working capital of the Group; and (ii) the remaining balance of approximately HK\$66.72 million for settling the outstanding amount of the Convertible Bonds.	Used as intended
7 April 2010 & 7 June 2010	Placing of convertible bonds of an aggregate principal amount of HK\$75 million on a fully underwritten basis, which was completed on 22 June 2010	69.5 million	It was intended to use as settlement of short-term loan and as general working capital.	Used as intended

Total 573 million

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company as at the date of this announcement and immediately after completion of the Placing assuming there is no further issue of Shares and no change in the shareholding structure of the Company from the date of this announcement up to immediately before completion of the Placing:–

Shareholders	As at the date of this announcement		Immediately after completion of the Placing	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Ms. Yu Man Fung Alice	370,653,759	18.84%	370,653,759	13.64%
Absolute Target Limited (<i>Note 1</i>)	167,265,000	8.50%	167,265,000	6.16%
Placees	–	–	750,000,000	27.60%
Public	1,429,388,743	72.66%	1,429,388,743	52.60%
Total	1,967,307,502	100%	2,717,307,502	100%

Note 1:

Absolute Target Limited is controlled as to 46.25% by Mr. Wong Yin Sen, 42.50% by Mr. Hon Lik and 11.25% by Mr. Wong Hei Lin, all are executive Directors.

REASONS FOR AND BENEFITS OF THE ACQUISITION, THE OPTIONS AND THE PLACING AND USE OF PROCEEDS FROM PLACING

The Company is an investment holding company. Its subsidiaries are principally engaged in securities trading, production and sales of a series of health care products, pharmaceutical products and Ruyan atomizing cigarettes.

The Property is the basement of a 24-storey office building located in North Point, comprising the whole of the basement floor. It occupies a gross floor area of approximately 15,748 square feet and is accessible by an excellent transportation network including an access to the North Point Station of the Mass Transit Railway and a number of bus lines, making it an ideal location for commercial use. In view of the surge of the real estate price in the recent years, the Company holds a positive view towards the prospects of real estate market in Hong Kong, particularly the commercial and retail real estates and the Board believes that the investment in real estate market is a good strategic plan for the Group. The Directors are of the view that the Acquisition may generate stable source of rental income and provide capital appreciation potential to the Group. In addition, as health care business is one of the principal activities of the Group, the Options may provide an opportunity for the Group to operate a Chinese medicine clinic which may in turn strengthen the scale of the operations of the Group and the Group's market position in Hong Kong. Taking into account the above factors, the Board considers that the terms of the Acquisition and the Options are fair and reasonable and the Acquisition and the Options are in the interests of the Shareholders and the Company as a whole.

The gross proceeds from the Placing will be HK\$108.75 million and the net proceeds from the Placing (after deducting the placing commission for the Placing and other expenses) of approximately HK\$105.56 will be used as general working capital of the Group and/or allocated for the Group's future investments, including the Acquisition.

The Directors consider that the Placing represents a good opportunity to raise capital for the Group's working capital and business expansion. Also, the Directors are of the view that the Placing will strengthen the Group's financial position and the Company can take this opportunity to broaden its capital base and shareholder base. The Directors have considered different types of fund raising arrangement such as rights issue and open offer and the Directors consider that the Placing is the most efficient way to proceed having considered the cost and time involved for the Company. On the basis of the above, the Directors are of the view that the Placing is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

The transactions contemplated under the S&P Agreement and the Options Agreement, including the Acquisition and the acquisition of the Option Shares and Option Shareholders Loan under the Options, constitute a major transaction of the Company under Chapter 14 of the Listing Rules, are therefore subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules. An EGM will be convened and held for the purposes of considering and, if thought fit, approving the transactions contemplated under the S&P Agreement and the Options Agreement (including the Acquisition and the acquisition of the Option Shares and Option Shareholders Loan under the Options) and the Placing.

As, to the best knowledge of the Directors having made reasonably enquiry, no Shareholder has any material interest in the S&P Agreement, the Options Agreement or the Placing, no Shareholder is required to abstain from voting at the EGM.

GENERAL

A circular containing amongst other things further particulars of the Acquisition, the Options and the Placing, and a notice convening the EGM will be despatched to Shareholders as soon as practicable. It is currently expected that it will take about four weeks for the Company to prepare the accountants' report on the PropertyCo for inclusion in the circular. Accordingly, the date of dispatch of circular is expected to be on or before 3 June 2011.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on Thursday, 5 May 2011 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:00 a.m. on Monday, 9 May 2011.

DEFINITIONS

The following terms are used in this announcement with the meanings assigned to them below:-

“Acquisition”	the proposed acquisition of the Sale Share and the Shareholders Loan by the Purchaser subject to the terms and conditions of the S&P Agreement
“associates”	the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (excluding Saturday and Sunday) on which banks are generally open for business in Hong Kong
“Call Option”	the call option to be granted by the Vendor to the Purchaser pursuant to the Options Agreement to require the Vendor to sell the Option Shares and to assign or procure the assignment by the legal and beneficial owners of the Option Shareholders Loan to the Purchaser or its nominees on terms of the Options Agreement
“ClinicCo”	Apex Corporate Investments Limited, a company incorporated under the laws of British Virgin Islands
“Company”	Dragonite International Limited (Stock Code: 329), a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the main board of the Stock Exchange

“Completion”	completion of the sale and purchase of the Sale Share
“Completion Date”	the second Business Day after the date on which all of the conditions under the S&P Agreement shall have been satisfied or waived, or such other date as the parties may agree
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	consideration of HK\$117,000,000 to be paid for sale and purchase of the Sale Share and Shareholders Loan
“Director(s)”	director(s) of the Company
“EBITDA”	two times the latest earnings before interest, taxes, depreciation and amortization of the ClinicCo and HON Chinese Medicine Company Limited for a period of six months ended on either 31 March or 30 September during 1 October 2011 to 30 September 2016 as per the ClinicCo’s latest available audited consolidated statement of comprehensive income, or if such audited consolidated statement of comprehensive income not available, ClinicCo’s consolidated statement of comprehensive income as certified by its director(s)
“EGM”	the extraordinary general meeting of the Company to be convened to approve, amongst other things, the transactions contemplated under the S&P Agreement and the Options Agreement (including the exercise of the Options) and the Placing
“Group”	the Company and its subsidiaries
“Heritage”	Heritage International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	a third party who, to the best of the Directors’ knowledge, information and belief, and having made all reasonable enquiries, is independent of the Company and of connected persons (as defined in the Listing Rules) of the Company
“Listing Committee”	has the meaning ascribed to such term in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Options”	the Put Option and the Call Option
“Options Agreement”	the options agreement to be entered into by the Vendor and the Purchaser upon completion of the S&P Agreement, pursuant to which the Vendor will grant a Call Option to the Purchaser and the Purchaser will grant a Put Option to the Vendor
“Option Shares”	shares of the ClinicCo representing the entire issued share capital of the ClinicCo from time to time
“Option Shareholders Loan”	the amounts due from the ClinicCo to Heritage or its wholly-owned subsidiaries (including the Vendor) as at the date of the completion of the sale and purchase of the Option Shares pursuant to the Options Agreement
“Placee(s)”	any individual(s), institutional or other professional investor(s) or any of their respective subsidiaries or associates procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agent’s obligations under the Placing Agreement
“Placing”	the placing of an aggregate of 750,000,000 new Shares, on a fully underwritten basis, pursuant to the terms of the Placing Agreement
“Placing Agent”	Chung Nam Securities Limited, a corporation licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to carry on business in type 1 regulated activity (dealing in securities)
“Placing Agreement”	the placing agreement dated 4 May 2011 entered between the Company and the Placing Agent in relation to the Placing
“Placing Price”	HK\$0.145 per Placing Share
“Placing Share”	an aggregate of 750,000,000 Shares to be placed pursuant to the Placing Agreement
“Property”	Basement, Stamps Gallery, China United Centre, No. 28 Marble Road, North Point, Hong Kong
“PropertyCo”	Central Town Limited, a company incorporated under the laws of British Virgin Islands and through its wholly-owned subsidiaries owns the Property
“Put Option”	the put option to be granted by the Purchaser to the Vendor pursuant to the Options Agreement to require the Purchaser to purchase the Option Shares and Option Shareholders Loan on terms of the Options Agreement

“Purchaser”	Nation Wealth Holdings Limited, a company incorporated under the laws of the British Virgin Islands with limited liability
“Sale Share”	the one ordinary share of US\$1.00 each in the share capital of Property Co, which has been issued and fully paid up and which represents the entire issued share capital of PropertyCo at Completion
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Shareholders Loan”	the outstanding shareholders loan advanced by Heritage and its subsidiaries (excluding the PropertyCo and its subsidiaries) to the PropertyCo and its subsidiaries as at the Completion Date
“Specific Mandate”	a specific mandate to be sought from the shareholders of the Company at the EGM to allot and issue the Placing Shares pursuant to the Placing Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“S&P Agreement”	an agreement dated 4 May 2011 entered into between the Vendor, the Purchaser, Heritage (as guarantor of the Vendor) and the Company (as guarantor of the Purchaser) for the sale and purchase of the Sale Share and the Shareholders Loan
“Vendor”	Power Global Limited, a company incorporated under the laws of British Virgin Islands with limited liability
“%”	per cent.

By Order of the Board
DRAGONITE INTERNATIONAL LIMITED
Ching Yuen Man, Angela
Executive Director

Hong Kong, 6 May 2011

As at the date of this announcement, the Board comprises the following Directors:

Executive Directors:

Mr. Wong Yin Sen
Mr. Hon Lik
Mr. Wong Hei Lin
Ms. Ching Yuen Man, Angela
Mr. Au Yeung Kai Chor
Ms. Chan Mee Sze

Independent Non-executive Directors:

Mr. Pang Hong
Mr. Chung Yuk Lun
Mr. Liu Kwong Sang
Mr. Lam Man Sum, Albert

Non-executive Director:

Mr. Frank H. Miu