Dragonite International Limited
叁龍國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 329)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

The board of directors (the "Board") of Dragonite International Limited (the "Company") hereby announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012 (the "Year") together with the comparative figures for the corresponding year in 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	NOTES	**2012**	2011
		HK$'000	*HK$'000*
Turnover			
Sales of goods	3	**20,327**	19,878
Cost of goods sold		**(15,915)**	(42,854)
		4,412	(22,976)
Dividend income	3	**161**	2,806
Rental income	3	**4,680**	1,671
Interest income from loans receivable	3	**300**	—
Change in fair value of financial assets at fair value through profit or loss	3	**(11,104)**	(214,408)
		(1,551)	(232,907)
Other income		**3,443**	3,119
Other gains and losses		**7,100**	(6,459)
Distribution costs		**(17,361)**	(14,005)
Administrative expenses		**(31,186)**	(37,904)
Other expenses		**(22,971)**	(12,724)
Loss on disposal of a subsidiary		**—**	(9,967)
Finance costs		**(1,255)**	(2,635)
Loss before tax		**(63,781)**	(313,482)
Income tax expense	4	**(2,299)**	(599)
Loss for the year	5	**(66,080)**	(314,081)
Other comprehensive income for the year: Exchange differences arising on translation to presentation currency		**1,169**	767
Total comprehensive expense for the year		**(64,911)**	(313,314)
			(restated)
Loss per share			
Basic and diluted	7	**HK$(0.64)**	HK$ (8.78)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2012

	NOTES	**2012** **HK$'000**	2011 HK$'000
Non-current assets			
Property, plant and equipment		**27,652**	25,799
Investment property		**175,600**	145,000
Financial assets at fair value through profit or loss		**—**	9,730
Prepaid lease payments		**2,622**	2,690
		205,874	183,219
Current assets			
Inventories		**8,555**	8,487
Financial assets at fair value through profit or loss		**129,828**	114,924
Trade receivables	8	**1,764**	4,184
Deposits, prepayments and other receivables		**14,006**	6,878
Taxation recoverable		**—**	1,579
Prepaid lease payments		**82**	82
Bank balances and cash		**34,881**	55,970
		189,116	192,104
Current liabilities			
Trade payables	9	**6,096**	6,272
Accruals and other payables		**34,397**	33,665
Derivative financial instruments		**17,332**	5,689
Borrowings		**25,676**	92,342
Taxation payable		**1,044**	1,503
		84,545	139,471
Net current assets		**104,571**	52,633
NET ASSETS		**310,445**	235,852
Capital and reserves			
Share capital		**1,060**	271,731
Reserves		**309,385**	(35,879)
TOTAL EQUITY		**310,445**	235,852

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2012

	Share capital *HK$'000*	Share premium account *HK$'000*	Shareholders' contribution *HK$'000* *(note a)*	Translation reserve *HK$'000*	Share option reserve *HK$'000*	Non-distributable reserve *HK$'000* *(note b)*	Merger reserve *HK$'000* *(note d)*	Special reserve *HK$'000* *(note c)*	(Accumulated losses) Retained earnings *HK$'000*	Attributable to owners of the Company *HK$'000*
At 1 January 2011	9,236	1,219,392	21,780	93,224	10,180	24,737	(1,016,738)	3,142	(292,063)	72,890
Loss for the year	—	—	—	—	—	—	—	—	(314,081)	(314,081)
Other comprehensive income for the year	—	—	—	767	—	—	—	—	—	767
Total comprehensive income (expense) for the year	—	—	—	767	—	—	—	—	(314,081)	(313,314)
Issue of new shares upon rights issue	184,725	221,669	—	—	—	—	—	—	—	406,394
Issue of new shares upon subscription	1,847	1,109	—	—	—	—	—	—	—	2,956
Issue of new shares upon exercise of share options	923	1,540	—	—	(783)	—	—	—	—	1,680
Issue of new shares upon placing	75,000	—	—	—	—	—	—	—	—	75,000
Transaction costs attributable to issue of shares	—	(10,537)	—	—	—	—	—	—	—	(10,537)
Recognition of equity-settled share-based payment expenses	—	—	—	—	783	—	—	—	—	783
Lapse of share options	—	—	—	—	(1,464)	—	—	—	1,464	—
At 31 December 2011	271,731	1,433,173	21,780	93,991	8,716	24,737	(1,016,738)	3,142	(604,680)	235,852
Loss for the year	—	—	—	—	—	—	—	—	(66,080)	(66,080)
Other comprehensive income for the year	—	—	—	1,169	—	—	—	—	—	1,169
Total comprehensive income (expense) for the year	—	—	—	1,169	—	—	—	—	(66,080)	(64,911)
First Capital Reorganisation *(note e)*	(266,296)	(1,433,173)	—	—	—	—	—	—	1,699,469	—
Issue of new shares upon rights issue	10,869	97,823	—	—	—	—	—	—	—	108,692
Issue of new shares upon exercise of share options	1,630	11,460	—	—	(1,678)	—	—	—	—	11,412
Issue of new shares upon placing	3,261	18,260	—	—	—	—	—	—	—	21,521
Second Capital Reorganisation *(note f)*	(20,135)	—	—	—	—	—		—	20,135	—
Transaction costs attributable to issue of shares	—	(3,799)	—	—	—	—	—	—	—	(3,799)
Recognition of equity-settled share-based payment expenses	—	—	—	—	1,678	—	—	—	—	1,678
At 31 December 2012	1,060	123,744	21,780	95,160	8,716	24,737	(1,016,738)	3,142	1,048,844	310,445

Notes:

(a) Shareholders' contribution represents the amounts contributed by shareholders of Ruyan Investment (Holdings) Limited ("RIHL") during the year ended 31 December 2007.

(b) The non-distributable reserve represents statutory reserves appropriated from profit after tax of the Company's PRC subsidiary under the PRC laws and regulations.

(c) The special reserve of the Group represents reserve arising pursuant to Group Reorganisation on the basis that the Group Reorganisation had been effected on 1 January 2000.

(d) The merger reserve represents (i) the share capital of RIHL (ii) the carrying amount of equity interest in RIHL held by the non-controlling parties and (iii) the fair value of the considerations paid for acquisition of RIHL during the year ended 31 December 2007.

(e) Pursuant to special resolution passed on 23 December 2011 ("Special Resolution") and the approval by the court in the Cayman Islands on 9 March 2012, the entire amount standing to the credit of the share premium account of the Company upon the completion to First Capital Reorganisation is cancelled and transferred to the accumulated losses of the Company.

(f) Pursuant to special resolution passed on 6 August 2012 and the approval by the court in the Cayman Islands on 26 October 2012, the credit arising from the reduction in share capital is transferred to accumulated losses of the Company upon the completion of Second Capital Reorganisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KYI-1111, Cayman Islands and Room 1101, 11/F, China United Centre, 28 Marble Road, North Point, Hong Kong, respectively.

The Company acts as an investment holding company. Its subsidiaries are principally engaged in production and sales of a series of health care products, pharmaceutical products, Ruyan atomizing cigarettes, securities trading and investments, property investment and money lending in Hong Kong.

The functional currency of the Company is Hong Kong dollars ("HKD"). For the purposes of presenting the consolidated financial statements, the Group adopted HKD as its presentation currency for the convenience of the readers. The directors consider HKD can provide more meaningful information to the Company's shareholders.

(2) APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments to HKFRSs ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 12 (Amendments)	Deferred tax: Recovery of underlying asset;
HKFRS 7 (Amendments)	Financial instruments: Disclosures — Transfers of financial assets.

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Amendments to HKAS 12 Deferred tax: Recovery of underlying assets

The Group has applied for the first time the amendments to HKAS 12 "Deferred tax: Recovery of underlying assets" in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment property" are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment property using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property and concluded that Group's investment property is not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, and that presumption set out in the amendments to HKAS 12 is not rebutted.

The application of the amendments to HKAS 12 has resulted in the Group not recognising any deferred taxes on changes in fair value of the investment property. Previously, the Group recognised deferred taxes on changes in fair value of investment property based on the manner in which the Group expected to recover or settle the carrying amount of investment property. The amendments to HKAS 12 have been applied retrospectively. There is no deferred tax on change in fair value of investment property recognised in previous period, therefore no prior year adjustment is required. In current year, no deferred taxes have been provided for changes in fair value of the Group's investment property. The change in accounting policy has resulted in the Group's income tax expense for the year ended 31 December 2012 being reduced by HK$4,058,000 and hence resulted in loss for the year ended 31 December 2012 decreased by HK$4,058,000. The Group's basic and diluted loss per share during the year ended 31 December 2012 are reduced by HK$0.04 per share upon the application of the amendments to HKAS 12.

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual improvements to HKFRS 2009 - 2011 cycle[1]
HKFRS 7 (Amendments)	Disclosures — Offsetting financial assets and financial liabilities[1]
HKFRS 9	Financial instruments[3]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory effective date of HKFRS 9 and transition disclosures[3]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance[1]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[2]
HKFRS 10	Consolidated financial statements[1]
HKFRS 11	Joint arrangements[1]
HKFRS 12	Disclosure of interests in other entities[1]
HKFRS 13	Fair value measurement[1]
HKAS 1 (Amendments)	Presentation of items of other comprehensive income[4]
HKAS 19 (as revised in 2012)	Employee benefits[1]
HKAS 27 (as revised in 2011)	Separate financial statements[1]

HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[1]
HKAS 32 (Amendments)	Offsetting financial assets and financial liabilities[2]
HK(IFRIC) - INT 20	Stripping costs in the production phase of a surface mine[1]

[1] Effective for annual periods beginning on or after 1 January 2013.

[2] Effective for annual periods beginning on or after 1 January 2014.

[3] Effective for annual periods beginning on or after 1 January 2015.

[4] Effective for annual periods beginning on or after 1 July 2012.

(3) SEGMENT INFORMATION

The Group's executive directors are the chief operation decision makers as they collectively make strategic decisions towards the Group's operations. During the year ended 31 December 2012, the Group started money lending business and executive directors considered this is a separate reportable and operating segment to the Group.

The Group's reportable and operating segments under HKFRS 8 are therefore as follows:

(a) health care products, which are mainly represented by ginseng products

(b) pharmaceutical products, which are mainly represented by licensed medicines

(c) Ruyan atomizing cigarettes

(d) securities trading and investments

(e) property investment in Hong Kong

(f) money lending

Segment turnover and results

The following is an analysis of the Group's turnover and results by reportable and operating segments.

For the year ended 31 December 2012

	Health care products	Pharmaceutical products	Ruyan atomizing cigarettes	Securities trading and investments	Property investment in Hong Kong	Money lending	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment turnover							
Sales of goods	—	17,787	2,540	—	—	—	20,327
Change in fair value of financial assets at fair value through profit or loss	—	—	—	(11,104)	—	—	(11,104)
Dividend income	—	—	—	161	—	—	161
Rental income	—	—	—	—	4,680	—	4,680
Interest income from loans receivable	—	—	—	—	—	300	300
	—	17,787	2,540	(10,943)	4,680	300	14,364
Segment (loss) profit	(2,212)	395	(30,767)	(9,673)	33,174	(9,720)	(18,803)
Other income							211
Change in fair value of derivative financial instruments							(11,643)
Share-based payment expenses							(1,678)
Unallocated corporate expenses							(31,477)
Finance costs							(391)
Loss before tax							(63,781)

For the year ended 31 December 2011

	Health care products	Pharmaceutical products	Ruyan atomizing cigarettes	Securities trading and investments	Property investment in Hong Kong	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment turnover						
Sales of goods	96	14,419	5,363	—	—	19,878
Change in fair value of financial assets at fair value through profit or loss	—	—	—	(214,408)	—	(214,408)
Dividend income	—	—	—	2,806	—	2,806
Rental income	—	—	—	—	1,671	1,671
	96	14,419	5,363	(211,602)	1,671	(190,053)
Segment loss	(15,894)	(10,515)	(32,509)	(209,889)	(4,881)	(273,688)
Other income						1,401
Change in fair value of derivative financial instruments						958
Loss on disposal of a subsidiary						(9,967)
Share-based payment expenses						(783)
Unallocated corporate expenses						(29,144)
Finance costs						(2,259)
Loss before tax						(313,482)

Segment turnover includes proceeds from sales of goods, dividend income, rental income and interest income from loans receivable. In addition, the chief operation decision makers also consider change in fair value of financial assets at fair value through profit or loss (excluding derivative financial instruments) as segment turnover.

Segment (loss) profit represents the loss from/profit earned by each segment without allocation of other income, change in fair value of derivative financial instruments, loss on disposal of a subsidiary, share-based payment expenses, unallocated corporate expenses and certain finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

As at 31 December 2012

	Health care products	Pharmaceutical products	Ruyan atomizing cigarettes	Securities trading and investments	Property investment in Hong Kong	Money lending	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS							
Segment assets	26,743	14,965	5,986	134,483	176,054	—	358,231
Bank balances and cash							34,881
Other receivables							1,878
Consolidated total assets							394,990
LIABILITIES							
Segment liabilities	8,039	11,471	12,686	—	26,500	—	58,696
Derivative financial instruments							17,332
Other payables							7,473
Taxation payable							1,044
Consolidated total liabilities							84,545

As at 31 December 2011

	Health care products	Pharmaceutical products	Ruyan atomizing cigarettes	Securities trading and investments	Property investment in Hong Kong	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS						
Segment assets	21,519	14,738	9,159	125,332	145,350	316,098
Bank balances and cash						55,970
Taxation recoverable						1,579
Other receivables						1,676
Consolidated total assets						375,323
LIABILITIES						
Segment liabilities	8,374	10,490	13,949	—	28,169	60,982
Other payables						6,297
Taxation payable						1,503
Derivative financial instruments						5,689
Borrowings						65,000
Consolidated total liabilities						139,471

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

- all assets are allocated to reportable and operating segments, other than certain other receivables, taxation recoverable and bank balances and cash.

- all liabilities are allocated to reportable and operating segments, other than derivative financial instruments, certain other payables, certain borrowings and taxation payable.

Other segment information

Amounts included in measure of segment profit or loss or segment assets:

For the year ended 31 December 2012

	Health care products	Pharmaceutical products	Ruyan atomizing cigarettes	Securities trading and investments	Property investment in Hong Kong	Money lending	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Addition to property, plant and equipment	3,661	630	553	—	104	—	—	4,948
Depreciation of property, plant and equipment	1,764	723	354	—	2	—	292	3,135
Amortisation of prepaid lease payments	90	—	—	—	—	—	—	90
Gain in fair value of investment property	—	—	—	—	(30,600)	—	—	(30,600)
Allowance for obsolescence inventories	830	1,009	3,000	—	—	—	—	4,839
Allowance for doubtful debts	—	1,842	—	—	—	—	—	1,842
Impairment losses recognised in respect of loans receivable	—	—	—	—	—	10,000	—	10,000
Loss on disposal of property, plant and equipment	—	—	15	—	—	—	—	15
Finance costs	—	—	—	—	864	—	391	1,255

For the year ended 31 December 2011

	Health care products	Pharmaceutical products	Ruyan atomizing cigarettes	Securities trading and investments	Property investment in Hong Kong	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Addition to property, plant and equipment	—	339	66	—	—	—	405
Depreciation of property, plant and equipment	1,802	700	3,513	—	—	—	6,015
Amortisation of prepaid lease payments	88	—	—	—	—	—	88
Loss in fair value of investment property	—	—	—	—	6,009	—	6,009
Allowance for obsolescence inventories	13,341	11,025	7,430	—	—	—	31,796
Allowance for doubtful debts, net	192	1,225	56	—	—	—	1,473
Gain on disposal of property, plant and equipment	—	—	(65)	—	—	—	(65)
Finance costs	—	—	—	—	376	2,259	2,635

Turnover from major products

	2012	2011
	HK$'000	*HK$'000*
Health care products	**—**	96
Pharmaceutical products	**17,787**	14,419
Ruyan atomizing cigarettes	**2,540**	5,363
	20,327	19,878

Information about major customers

There is no single customer contributing over 10% of total sales of the Group for the year ended 31 December 2012 and 2011.

Geographical information

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

	2012	2011
	HK$'000	*HK$'000*
The People's Republic of China ("PRC")	**30,274**	28,489
Hong Kong	**175,600**	145,000
	205,874	173,489

Note: The non-current assets exclude financial assets at fair value through profit or loss.

(4) INCOME TAX EXPENSE

	2012	2011
	HK$'000	*HK$'000*
PRC Enterprise Income Tax	**711**	599
Underprovision in prior years	**1,588**	—
	2,299	599

No Hong Kong Profits Tax is payable by the Company or its subsidiaries operated in Hong Kong since they had no assessable profit 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 the PRC subsidiaries is 25% from 1 January 2008 onwards.

(5) LOSS FOR THE YEAR

	2012 HK$'000	2011 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Staff costs		
Directors' emoluments		
- fees and other emoluments	**4,915**	5,443
Other staff costs		
- salaries, allowances and bonus	**10,214**	8,838
- share-based payment expenses (note ii)	**1,678**	783
- retirement benefits scheme contributions	**942**	837
	17,749	15,901
Amortisation of prepaid lease payments	**90**	88
Cost of inventories recognised as expense (note i)	**15,915**	42,854
Auditor's remuneration	**1,650**	1,600
Depreciation of property, plant and equipment	**3,135**	6,015
Operating lease rentals in respect of land and buildings	**6,101**	5,109
Research and development expenses (included in other expenses)	**1,207**	2,309
Interest income from bank balances (included in other income)	**(9)**	(8)
Gross rental income from investment property	**(4,680)**	(1,671)
Less: direct operating expenses from investment property that generate rental income for the year	**309**	145
	(4,371)	(1,526)
Legal and professional expenses (included in other expenses)	**20,086**	9,632

Notes:

(i) An allowance for obsolescence inventories of HK$4,839,000 (2011: HK$31,796,000) was included in the cost of inventories recognised as expense. This allowance was provided for certain slow-moving raw materials and finished goods of HK$4,839,000 (2011: HK$18,331,000) including health care products, pharmaceutical products and Ruyan atomizing cigarettes. During the year ended 31 December 2012, no allowance for inventories was made on health care products that were spoiled and no longer sellable. During the year ended 31 December 2011, certain health care products were spoiled and no longer sellable, and an allowance for inventories of HK$13,465,000 was provided.

(ii) The share-based payment expenses of HK$1,678,000 (2011: HK$783,000) granted to eligible participants during the year ended 31 December 2012 were mainly related to the Group's securities trading business.

(6) DIVIDEND

No dividend was paid or proposed for both years, nor has any dividend been proposed since the end of the reporting period.

(7) LOSS PER SHARE

The calculation of the basic loss per share attributable to the ordinary equity holders of the parent is based on the following data:

	2012	2011
	HK$'000	*HK$'000*
Loss for the purpose of basic and diluted earnings per share (loss for the year attributable to owners of the Company)	**(66,080)**	(314,081)

	2012	2011
	'000	*'000*
		(restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**102,700**	35,783

The computation of diluted loss per share does not assume the conversion of the Company's share options since their assumed conversion would result in a decrease in loss per share.

The weighted average number of ordinary shares for the calculation of the basic and diluted loss per share for the years of 2012 and 2011 have been adjusted to reflect the impact of share consolidation and rights issue effected during the year ended 31 December 2012 as well as rights issue completed subsequent to 31 December 2012.

(8) TRADE RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Trade receivables	**150,000**	149,792
Less: Allowance for doubtful debts	**(148,236)**	(145,608)
	1,764	4,184

The Group allows an average credit period from 60 to 270 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date which approximated the respective revenue recognition dates at the end of the reporting period:

	2012	2011
	HK$'000	*HK$'000*
0 to 60 days	**1,195**	1,258
61 to 90 days	**100**	42
91 to 180 days	**343**	2,884
181 to 270 days	**126**	—
	1,764	4,184

The Group has policy of allowance for doubtful debts which is based on the evaluation of collectability and age of accounts and on management's judgement including credit worthiness and past collection history of each customer.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly.

The receivables with a carrying amount of HK$1,764,000 (2011: HK$4,184,000) which are neither past due nor impaired at the end of the reporting date for which the Group believes that the amounts are considered recoverable because the receivables are related to a number of independent customers that have good repayment records with the Group.

At 31 December 2012 and 2011, there is no trade receivable balance past due at the reporting date for which the Group has not provided for impairment loss.

In determining the recoverability of the trade receivables, the Group considers any changes in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

(9) TRADE PAYABLES

The aged analysis of trade payables presented based on the invoice date at the end of the reporting period is as follows:

	2012	2011
	HK$'000	*HK$'000*
0 to 30 days	**477**	51
31 to 60 days	**874**	1,006
61 to 90 days	**41**	65
Over 90 days but less than 1 year	**23**	1,226
Over 1 year	**4,681**	3,924
	6,096	6,272

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2012 (year ended 31 December 2011: HK$ NIL).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded an audited consolidated net loss of approximately HK$66,080,000 for the Year (2011: HK$ 314,081,000). Turnover for the Year was a negative amount of approximately HK$1,551,000 (2011: negative amount of approximately HK$232,907,000). The net asset value of the Group increased from approximately HK$235,852,000 as at 31 December 2011 to approximately HK$310,445,000 as at 31 December 2012, representing a 31.63% increment.

Loss for the Year was mainly attributable to the following factors:

1. The Group's securities portfolio has suffered the net realized and unrealized losses of approximately HK$11,104,000 (2011: net loss of approximately HK$214,408,000) on change in fair value of financial assets at fair value through profit or loss ("FAFVPL") in the income statement.

2. The sales of electronic cigarette products remained sluggish during the Year as the Group continued revamping its products. Limited sales were recorded in the PRC market and some minimal sales to overseas markets were made after various lab-testing approvals were granted.

3. Due to the change in fair value of derivative financial instruments, a loss of approximately HK$11,643,000 (2011: a gain of approximately HK$958,000) was recorded for the Year.

4. Provision for doubtful debts on loan receivable amounted to HK$10,000,000 (2011: NIL) was made for the Year.

5. Due to technical or commercial obsolescence, a provision for impairment of inventories at about HK$4,839,000 (2011: HK$ 31,796,000) was made for the Year.

Health Care Products

In 2012, the Group temporarily suspended production in order to upgrade its manufacturing plant in Shenyang. Following the upgrade, approval was granted in January 2013 for sales and production of Chenlong Baoling Longevity Ginseng products.

Pharmaceutical Products

Azithromycin Granules (II) (「阿奇黴素顆粒 (II)」) and Rosiglitazone Hydrochloride Capsules (「鹽酸沕格列酮膠囊」) remained as two key products of the Group for the sales during the Year. Despite the continued increase in prices of raw materials and energy, continued strategic price reduction of medicine and irrational price competition, the Group managed to exercise tight control of costing of its products. The performance of trading of pharmaceutical products was stabilized. Turnover of pharmaceutical products for the Year was approximately HK$17,787,000, representing an increase of 23.36% from approximately HK$14,419,000 as compared to the previous year.

Electronic Cigarettes and Intellectual Property

In 2012, the Group consolidated distribution of electronic cigarettes in the PRC and had limited sales increases in overseas markets, resulting in a decrease in turnover of electronic cigarettes from approximately HK$5,363,000 in 2011 to approximately HK$2,540,000 in 2012.

The Group is proceeding with plans to re-launch electronic cigarette products in several new markets. In addition, the Group has successfully resolved litigation related to US Patent No. 7,832,410 (the ’410 Patent) with a win of 3 default judgments/permanent injunctions, 5 defendants agreeing to settlement, and 5 defendants admitting infringement and validity of the ’410 Patent.

As previously announced, a new US Patent, Patent No.8,156,944 (the ’944 Patent), was granted in April 2012 in favor of the Group’s wholly-owned subsidiary, Ruyan Investment (Holdings) Limited. The ’944 Patent is one of several patents in the Group’s electronic cigarette intellectual property portfolio and is related to the fundamental architecture and functionality of the electronic cigarette. Ruyan Investment (Holdings) Limited filed ten new complaints in June 2012 for infringement of the ’944 Patent against (i) BARJAN LLC, a Delaware limited liability company, (ii) CB DISTRIBUTORS, INC., an Illinois corporation and DR DISTRIBUTORS, LLC, an Illinois limited liability company dba 21st CENTURY SMOKE, (iii) FINITI BRANDING GROUP, LLC, an Illinois limited liability company, (iv) LOEC, INC., a Delaware corporation, (v) LOGIC TECHNOLOGY DEVELOPMENT LLC, a New Jersey limited liability company, (vi) NICOTEK LLC, a Colorado limited liability company, (vii) THE SAFE CIG, LLC, a California limited liability company, (viii) SOTTERA, INC., a Nevada corporation, (ix) SPARK INDUSTRIES, LLC, a California limited liability company, and (x) VAPOR CORP., a Nevada corporation, (collectively, the “Defendants”) in the United States District Court of the Central District of California. The above Defendants included the largest electronic cigarette companies operating in the United States at the time.

Continued improvements to Ruyan's atomization technology deliver nicotine more efficiently and at a sustained level over the life of the atomizer. RUYAN emphasizes reliability in the design and manufacture of its products. RUYAN provides a stainless steel, encased and leak-resistant cartomizer that houses the atomizer. Ruyan has adopted several methods to ensure there is no leakage and there are no droplets being inhaled into the mouth — common problems in the e-cigarette industry.

Throughout the year, further progress was made in market-entry and international sales. Business was advanced in sales and in regulatory and market planning with partners or potential partners in Israel, the United Kingdom, France, Switzerland, Sweden and India.

Trading of Securities

The Group continues its principal business in securities trading and as a treasury function invests its surplus cash in the Hong Kong securities market with an aim to capture future appreciation of share price. The net realized and unrealized losses incurred by securities trading substantially decreased to approximately HK$11,104,000 for the Year (2011: net loss on the change in fair value of FAFVPL approximately HK$214,408,000). The net realized gain on change in fair value of FAFVPL amounted to approximately HK$262,000, (2011: net realized loss of approximately HK$65,924,000). As the deposit rate offered by the licensed banks in Hong Kong is minimal, the Group will continue to utilize the surplus funds for short term securities investments and also to grasp the opportunities to diversify its investment portfolio.

Property Investment

The Group has fully leased out the entire area (except the common area for public access) of the premises situated at the Basement, China United Centre, 28 Marble Road, North Point, Hong Kong to a Chinese clinic and a pharmacy, generating a monthly rent of HK$410,000. Attributable to such rental income, the Group recorded a segment turnover of approximately HK$4,680,000 for the Year (2011: HK$1,671,000).

Money Lending

During the Year, the Group has utilized part of its surplus cash to provide short-term financing to individual borrowers. Interest income generated from money lending business amounted to HK$300,000 for the Year. The Group had taken legal action against a borrower and impairment loss of HK$10,000,000 was recognised during the Year due to default of repayment.

LIQUIDITY, FINANCIAL ANALYSIS AND CAPITAL STRUCTURE

As at 31 December 2012, the Group has fully repaid its unsecured borrowings, remaining a secured bank borrowing of approximately HK$25,676,000 (31 December 2011: HK$92,342,000). Such borrowing was denominated in HKD, and thus, there was no exposure to fluctuations in exchange rate. Gearing ratio of the Group decreased from approximately 39.15% as at 31 December 2011 to approximately 8.27% as at 31 December 2012. This calculation is based on net borrowings mentioned above and shareholders' funds of approximately HK$310,445,000 (31 December 2011: HK$235,852,000). Cash and bank balances amounted to approximately HK$34,881,000 (31 December 2011: HK$55,970,000) and total assets were approximately HK$394,990,000 (31 December 2011: HK$375,323,000). Net current assets of the Group on the same date amounted to approximately HK$104,571,000 (31 December 2011: HK$52,633,000). As at 31 December 2012, inventories amounted to approximately HK$8,555,000 (31 December 2011: HK$8,487,000). As at 31 December 2012, the Group had approximately HK$2,698,000 capital commitment for the acquisition of assets in the future (31 December 2012: HK$317,000).

In order to improve the financial position of the Group, the Company carried out the following fund raising exercises during the Year:

1) In March 2012, the Company completed a capital reorganisation which involved, among others, share consolidation of every 5 issued shares into 1 consolidated share and capital reduction. Upon the said capital reorganisation became effective after 4:00 p.m. on 19 March 2012, par value of the shares of the Company had become HK$0.01 each and the authorised share capital of the Company has become HK$1,000,000,000 divided into 100,000,000,000 shares of HK$0.01 each. Subsequently, the Company allotted and issued 1,086,923,000 shares on 2 May 2012, by way of rights issue at a subscription price of HK$0.1 per rights share on the basis of two rights shares for every one share then held. Gross proceeds of approximately HK$108,692,000 were raised.

2) On 29 June 2012, the Company completed a placement of 326,076,900 ordinary shares to independent investors at the placing price of HK$0.066 per share and the Company received gross proceeds of approximately HK$21,521,000.

These fund raising activities during the Year (i) strengthened the Group's financial position with additional resources for future expansion; and (ii) provided the paid-up capital for a new wholly-owned subsidiary, which was incorporated in California in July 2012, to facilitate sales, marketing, regulatory compliance as well as public relations in regard to the Group's electronic cigarette business in the United States.

On 31 October 2012, the Company completed another capital reorganisation which involved a share consolidation of every 20 issued shares into 1 consolidated share followed by a capital reduction. Upon the said capital reorganisation became effective after 4:00 p.m. on 31 October 2012, par value of the shares of the Company remained at HK$0.01 each. As at 31 December 2012, the issued share capital of the Company was 105,974,992 shares of HK$0.01 each.

Pursuant to the option agreement dated 8 August 2011 relating to the possible acquisition of Apex Corporate Investments Limited ("Apex"), the holding company of HON Chinese Medicine Company Limited ("Clinic"), the exercise price of the call/put options is capped at HK$75 million and the minimum is HK$25 million. The Group will keep itself appraised of any future fund raising opportunities for investing in Apex and the Clinic if and when the option is exercised.

FOREIGN EXCHANGE RISKS

The Group's operations conducted in the PRC are mainly settled in Renminbi. However, securities trading and investments, money lending, property investment and all corporate activities such as fund raising activities are conducted in Hong Kong dollars. Therefore, the Group is exposed to fluctuations in foreign exchange rate to a certain extent. Currently, the Group has no formal hedging policies in place. The Group has not entered into any foreign currency exchange contracts or derivatives to hedge against the Group's currency risks.

PROSPECTS FOR THE YEAR 2013 AND DEVELOPMENT PLAN

Electronic Cigarette

The range and mix of external issues affecting Ruyan's international business require that Ruyan continues to lead on all fronts and to maintain its upward trajectory in intellectual property protection, product development, scientific testing, quality manufacturing, and securing and serving strong distribution channels. Five key points deserve to be highlighted:

- Ruyan is committed to safety and quality and will address the critical concerns of governments and customers around the world.

- Ruyan has upgraded its manufacturing facilities to fill its e-cigarette products under GMP manufacturing standards. Ruyan's factory was awarded ISO9001 in late 2012.

- Ruyan technology provides superior consistency in nicotine and vapor delivery and deep lung absorption.

- Ruyan, with its extensive intellectual property portfolio and growing international distribution network, is strongly-positioned for the long-term challenges and opportunities that lie ahead.

- The worldwide trend toward smoking bans and practical smoking alternatives continues to accelerate exponentially.

It is expected that, various legal initiatives underway will begin to yield significant results to raise market share in key markets by the 2nd and 3rd quarters of 2013. Ruyan remains confident in the strength of its intellectual property. It is expected that investments in intellectual property protection and enforcement will continue in 2013.

Finally, Ruyan will continue to work with governments and international organizations around the world to address continuing concerns about the safety and regulatory requirements of the electronic cigarette. Scientific testing will continue and be accelerated. Ruyan believes in the essential contribution of its invention to the betterment of humankind and the markets that are demanding practical solutions to the smoking pandemic.

Possible Disposal of Electronic Cigarette Business

During the Year, the Company engaged an international investment bank to advise the Company on the possible disposal of the electronic cigarette business in whole or in parts (the "Possible Disposal"). The initial closing date for the bid was 22 March 2013. As at the date of this announcement, the Company has tentatively received one bid for the intellectual property assets only and the Board is considering entering into an exclusive arrangement with this potential buyer for a period of 30 days. The Company may consider the bids for other assets in the future. The Board has not yet concluded the form of the Possible Disposal with the potential buyer(s) and hopefully the sales and purchase agreement can be reached. No definitive agreements have been signed and the Possible Disposal may or may not materialize.

Pharmaceuticals and Health Care Products

In 2012, the operating results of pharmaceuticals products are generally satisfactory. The Group will attempt to develop more sales channels and focus on exploring new product lines to broaden the income stream.

Following completion of the production plant upgrade and upon the grant of sales and production approval in January 2013, the Group expects to resume production of health care products in 2013.

DETAILS OF MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

There were no material acquisitions or disposals of subsidiaries during the Year.

PLEDGE OF ASSETS

At 31 December 2012, the Group pledged its investment property to secure its bank borrowing of approximately HK$25,676,000 (31 December 2011: HK$27,342,000).

At 31 December 2012, margin facilities of approximately HK$64,914,000 (31 December 2011: HK$51,486,000) from regulated securities brokers were granted to the Group which were secured by the Group's FAFVPL with the carrying amount of approximately HK$129,828,000 (31 December 2011: HK$124,654,000).

CONTINGENT LIABILITIES

As at 31 December 2012, the Group did not provide any form of guarantees for any external party and was not liable to any material legal proceedings of which provision for contingent liabilities was required.

EMPLOYEE POLICY

As at 31 December 2012, the Group employed approximately 105 employees in the PRC and Hong Kong. The remuneration package of the employees is determined with reference to their performance, experience and their positions, duties and responsibilities in the Group.

EVENTS AFTER THE REPORTING PERIOD

On 7 February 2013, the Company completed a rights issue on the basis of one rights share for every share held on the record date at the subscription price of HK$1.00 per rights share. Net proceeds of approximately HK$101.83 million were raised, of which approximately three-fourth was injected into Ruyan Holding Corporation, a wholly owned subsidiary of the Company for electronic cigarette business.

DISCLOSURE OF OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Board has adopted the code provisions set out in the Corporate Governance Code (the "Code" and formerly known as the Code on Corporate Governance Practices) as contained in Appendix 14 to Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has complied with all code provisions of the Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and the Code during the period from 1 April 2012 to 31 December 2012, except the deviations from code provisions A.4.1 and A.6.7 of the Code.

Code provision of A.4.1 of the Code stipulates that non-executive directors shall be appointed for a specific term and be subject to re-election. The Independent Non-Executive Directors of the Company have not appointed for a specific term of office, which constitutes a deviation from A.4.1 of the Code. However, all Independent Non-Executive Directors are subject to retirement by rotation at the Annual General Meeting of the Company in accordance with the articles of association of the Company. The Board therefore considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those of the Code.

Under the code provision of A.6.7 of the Code, all independent non-executive directors should attend general meetings of the Company and develop a balanced understanding of shareholders' view. Mr. Liu Kwong Sang was unable to attend the Company's annual general meeting held on 29 May 2012 due to sickness. For the extraordinary general meeting held on 6 August 2012, Mr. Liu Kwong Sang and Mr. Lam Man Sum, Albert were unable to attend due to other business engagements.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listing Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiry of all Directors of the Company, they all confirmed that they have complied with the required standard set out in the Model Code during the Year.

AUDIT COMMITTEE

The annual financial results for the Year have been reviewed by the audit committee of the Company. The audit committee comprises four Independent Non-Executive Directors of the Company, namely Mr. Chung Yuk Lun, Mr. Lam Man Sum, Albert, Mr. Liu Kwong Sang and Mr. Ho Tak Fun.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This announcement is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.dragonite.com.hk. The 2012 annual report will also be published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.dragonite.com.hk and will be despatched to the shareholders of the Company in due course.

APPRECIATION

The Board would like to express our gratitude and sincere appreciation to our business partners, all management and staff members, and shareholders for their continuous support.

By order of the Board
Dragonite International Limited
Gary Drew Douglas
Managing Director

Hong Kong, 25 March 2013

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

Executive Directors
Mr. Wong Yin Sen *(Chairman)*
Mr. Gary Drew Douglas *(Managing Director)*
Mr. Hon Lik
Ms. Chan Mee Sze
Mr. Lam Suk Ping

Independent non-executive Directors
Mr. Chung Yuk Lun
Mr. Liu Kwong Sang
Mr. Lam Man Sum, Albert
Mr. Ho Tak Fun