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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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board of directors (the “Board”) of Dragonite International Limited (the “Company”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2016 (the “Period”) together with the comparative figures for the corresponding period in 2015 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

		Six months ended	
	<i>NOTES</i>	30.6.2016	30.6.2015
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Turnover			
Sales of goods		12,464	13,135
Cost of goods sold		(15,023)	(8,348)
		(2,559)	4,787
Dividend income		7,604	—
Interest income from loans receivable		5,751	1,053
Change in fair value of financial assets at fair value through profit or loss		(42)	85,561
Interest income from financial assets at fair value through profit or loss		496	—
		11,250	91,401
Other income		202	4,663
Other gains and losses		(168,080)	(346)
Distribution costs		(2,594)	(3,922)
Administrative expenses		(9,759)	(9,833)
Other expenses		(2,425)	(2,817)
Finance costs		(99)	—
(Loss) Profit before tax		(171,505)	79,146
Income tax expense	5	(212)	(14,386)
(Loss) Profit for the period	6	(171,717)	64,760
Other comprehensive (expense) income			
Items that may be subsequently reclassified to profit or loss:			
Fair value change in available-for-sale investments		(66,865)	1,264
Exchange differences arising on translation of foreign operation		(1,583)	411
		(68,448)	1,675
Total comprehensive (expense) income for the period		(240,165)	66,435
(Loss) Earnings per share	8		
Basic		HK(16.2) cents	HK6.1 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 JUNE 2016

	<i>NOTES</i>	30.6.2016 <i>HK\$'000</i> (unaudited)	31.12.2015 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		22,947	24,541
Available-for-sale investments		326,154	560,585
Prepaid lease payments		2,215	2,307
		<u>351,316</u>	<u>587,433</u>
Current assets			
Inventories		9,394	16,266
Financial assets at fair value through profit or loss		7,562	—
Trade receivables	9	646	1,790
Loans receivable		239,611	142,714
Deposits, prepayment and other receivables		2,385	2,296
Prepaid lease payments		82	82
Bank balances and cash		74,465	180,342
		<u>334,145</u>	<u>343,490</u>
Current liabilities			
Trade payables	10	286	949
Accruals and other payables		25,433	29,969
Taxation payable		—	98
Borrowing - due within one year		10,000	10,000
		<u>35,719</u>	<u>41,016</u>
Net current assets		<u>298,426</u>	<u>302,474</u>
NET ASSETS		<u><u>649,742</u></u>	<u><u>889,907</u></u>
Capital and reserves			
Share capital		10,598	10,598
Reserves		639,144	879,309
TOTAL EQUITY		<u><u>649,742</u></u>	<u><u>889,907</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

	Share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Non- distributable reserve <i>HK\$'000</i> <i>(note a)</i>	Special reserve <i>HK\$'000</i> <i>(note b)</i>	Investment revaluation reserves <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Attributable to owners of the Company <i>HK\$'000</i>
At 1 January 2015 (audited)	10,598	217,190	61,053	24,737	3,142	—	505,862	822,582
Profit for the period	—	—	—	—	—	—	64,760	64,760
Other comprehensive income for the period	—	—	411	—	—	1,264	—	1,675
Total comprehensive income for the period	—	—	411	—	—	1,264	64,760	66,435
At 30 June 2015 (unaudited)	<u>10,598</u>	<u>217,190</u>	<u>61,464</u>	<u>24,737</u>	<u>3,142</u>	<u>1,264</u>	<u>570,622</u>	<u>889,017</u>
At 1 January 2016 (audited)	<u>10,598</u>	<u>217,190</u>	<u>59,343</u>	<u>24,737</u>	<u>3,142</u>	<u>35,666</u>	<u>539,231</u>	<u>889,907</u>
Loss for the period	—	—	—	—	—	—	(171,717)	(171,717)
Other comprehensive expense for the period	—	—	(1,583)	—	—	(66,865)	—	(68,448)
Total comprehensive expense for the period	—	—	(1,583)	—	—	(66,865)	(171,717)	(240,165)
At 30 June 2016 (unaudited)	<u>10,598</u>	<u>217,190</u>	<u>57,760</u>	<u>24,737</u>	<u>3,142</u>	<u>(31,199)</u>	<u>367,514</u>	<u>649,742</u>

Notes:

- (a) The non-distributable reserve represents statutory reserves appropriated from profit after tax of the Company's subsidiary in The People's Republic of China ("PRC") under the PRC laws and regulations.
- (b) The special reserve of the Group represents reserve arising pursuant to a group reorganisation that was effected in during the year ended 31 December 2000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) GENERAL INFORMATION

Dragonite International Limited (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 Company’s substantial shareholder is Goldfame Luck Limited (“Goldfame”), a limited company incorporated in the British Virgin Islands. Goldfame is ultimately controlled by Mr. Li Gen Xiong.

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, securities trading and investments, money lending and trading of wines in Hong Kong.

The functional currency of the Company is Hong Kong dollars (“HK\$”).

(2) BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

(3) PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 - 2014 cycle

(4) SEGMENTAL INFORMATION

The Group's executive directors are the chief operating decision makers as they collectively make strategic decisions towards the Group's operations based on nature of business.

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) securities trading and investments
- (d) money lending
- (e) trading of wine

For the six months ended 30 June 2016 (unaudited)

	Health care products <i>HK\$'000</i>	Pharmaceutical products <i>HK\$'000</i>	Securities trading and investments <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Trading of wine <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<i>Segment turnover</i>						
Sales of goods	240	9,356	—	—	2,868	12,464
Change in fair value of financial assets						
at fair value through profit or loss	—	—	(42)	—	—	(42)
Dividend income	—	—	7,604	—	—	7,604
Interest income from financial assets						
at fair value through profit or loss	—	—	496	—	—	496
Interest income from loans receivable	—	—	—	5,751	—	5,751
	<u>240</u>	<u>9,356</u>	<u>8,058</u>	<u>5,751</u>	<u>2,868</u>	<u>26,273</u>
Segment (loss) profit	<u>(11,359)</u>	<u>842</u>	<u>(160,003)</u>	<u>5,732</u>	<u>430</u>	<u>(164,358)</u>
Other income						202
Unallocated corporate and other expenses						(7,250)
Finance costs						(99)
Loss before taxation						<u>(171,505)</u>

For the six months ended 30 June 2015 (unaudited)

	Health care products <i>HK\$'000</i>	Pharmaceutical products <i>HK\$'000</i>	Securities trading and investments <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Trading of wine <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<i>Segment turnover</i>						
Sales of goods	2,217	10,131	—	—	787	13,135
Change in fair value of financial assets at fair value through profit or loss	—	—	85,561	—	—	85,561
Interest income from loans receivable	—	—	—	1,053	—	1,053
	<u>2,217</u>	<u>10,131</u>	<u>85,561</u>	<u>1,053</u>	<u>787</u>	<u>99,749</u>
Segment (loss) profit	<u>(6,068)</u>	<u>1,945</u>	<u>84,698</u>	<u>780</u>	<u>(121)</u>	81,234
Other income						4,663
Unallocated corporate and other expenses						<u>(6,751)</u>
Profit before taxation						<u>79,146</u>

Segment turnover includes proceeds from sales of goods, change in fair value of financial assets at fair value through profit or loss, dividend income, interest income from financial assets at fair value through profit or loss and interest income from loans receivable.

Segment (loss) profit represents the loss from/profit earned by each segment without allocation of other income, finance costs, unallocated corporate expenses and other expenses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

(5) INCOME TAX EXPENSE

	Six months ended	
	30.6.2016	30.6.2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Hong Kong Profits Tax	—	15,063
PRC Enterprise Income Tax	212	269
Deferred tax credit	—	(946)
	<u>212</u>	<u>14,386</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits.

No Hong Kong Profits Tax was payable by the Company or its subsidiaries operated in Hong Kong for the six months ended 30 June 2016 since they had no assessable profits.

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.

(6) (LOSS) PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2016	30.6.2015
	HK\$’000	HK\$’000
	(unaudited)	(unaudited)
(Loss) Profit for the period has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments	40	43
Cost of inventories recognised as an expense (Note)	15,023	8,348
Staff costs (including directors’ emoluments)	4,718	7,529
Depreciation of property, plant and equipment	1,492	1,339
Interest income from bank balances (included in other income)	(9)	(72)
Imputed interest income from deferred consideration (included in other income)	—	(4,591)
	<u> </u>	<u> </u>

Note: An allowance for obsolescence inventories of approximately HK\$6,524,000 (six months ended 30 June 2015: approximately HK\$1,925,000) included in the cost of inventories recognised as an expense which representing certain slow-moving finished goods regarding health care products.

(7) DIVIDEND

No interim dividend was declared, proposed or paid for both six months ended 30 June 2016 and 2015.

(8) (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to the owners of the Company is based on the following data:

(Loss) Earnings

	Six months ended	
	30.6.2016	30.6.2015
	HK\$’000	HK\$’000
	(unaudited)	(unaudited)
(Loss) Earnings for the purpose of basic (loss) earnings per share ((loss) profit for the period attributable to owners of the Company)	<u>(171,717)</u>	<u>64,760</u>

Number of shares

	Six months ended	
	30.6.2016	30.6.2015
	'000	'000
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	<u>1,059,750</u>	<u>1,059,750</u>

No separate diluted (loss) earnings per share information has been presented as there were no potential ordinary shares outstanding for the both periods.

(9) TRADE RECEIVABLES

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

	30.6.2016	31.12.2015
	HK\$'000	HK\$'000
	(unaudited)	(audited)
0 to 60 days	566	1,302
61 to 90 days	—	24
91 to 180 days	—	273
181 to 270 days	80	191
	<u>646</u>	<u>1,790</u>

(10) TRADE PAYABLES

Trade payables principally comprise amounts outstanding for trade purchases. The normal credit period taken for trade purchases is 30 - 60 days.

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

	30.6.2016	31.12.2015
	HK\$'000	HK\$'000
	(unaudited)	(audited)
0 to 30 days	54	711
31 to 60 days	—	—
61 to 90 days	—	—
Over 90 days but less than 1 year	—	—
Over 1 year	232	238
	<u>286</u>	<u>949</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded an unaudited consolidated net loss of approximately HK\$171,717,000 for the Period (six months ended 30 June 2015: profit of approximately HK\$64,760,000). Turnover for the Period was approximately HK\$26,273,000 (six months ended 30 June 2015: approximately HK\$99,749,000). As the Group realized all of the listed securities in its investment portfolio in the second half of 2015 and trading and investment in listed securities have come to a halt thereafter, there was a substantial decline of turnover recorded for the Period as compared to the corresponding period in 2015.

Loss for the Period was mainly attributable to the impairment losses on available-for-sale (“AFS”) investments amounted to approximately HK\$167,566,000 (six months ended 30 June 2015: Nil). The net asset value of the Group decreased from approximately HK\$889,907,000 as at 31 December 2015 to approximately HK\$649,742,000 as at 30 June 2016, representing a 26.99% decrease. However, the Group continues to maintain healthy liquidity with bank balances and cash of approximately HK\$74,465,000 at end of the Period to meet day-to-day operations.

Health Care and Pharmaceutical Products

Turnover generated from sale of Chenlong Baoling Longevity Ginseng products for the Period amounted to approximately HK\$240,000 (six months ended 30 June 2015: approximately HK\$2,217,000). As a result of the downturn of premium market in Mainland China and the seasonal trend, sales performance of healthcare products for the Period was sluggish. The segment loss of approximately HK\$11,359,000 (six months ended 30 June 2015: HK\$6,068,000) was mainly due to an allowance of slow-moving ginseng products of approximately HK\$6,524,000 (six months ended 30 June 2015: approximately HK\$1,925,000) included in the cost of inventories as an expense.

The majority of the sales of pharmaceutical products were contributed by two key products, Azithromycin Granules (II) (「阿奇霉素顆粒(II)」) and Rosiglitazone Hydrochloride Capsules (「鹽酸叻格列酮膠囊」) for the Period. The sales performance of pharmaceutical products for the Period was stable and its turnover for the Period was approximately HK\$9,356,000, representing a slight decrease of 7.65% from approximately HK\$10,131,000 as compared to the corresponding period last year. The segment profit for the Period amounted to approximately HK\$842,000 (six months ended 30 June 2015: approximately HK\$1,945,000).

Securities Trading and Investments

The Group had adopted a prudent approach in securities trading and investments after the disposal of all listed securities in its investment portfolio in July 2015. In view of the uncertainties triggered by the devaluation of Renminbi and the doubt of economic soft landing in China, the Group decided to switch

its focus from trading and investment in listed securities to unlisted AFS investments for medium to long term returns. Hence, trading and investment in listed securities no longer generated any turnover during the Period (six months ended 30 June 2015: approximately HK\$85,561,000), leading to a massive decline in turnover of the Group for the Period.

Available-for-sale investments

During the Period under review, there were no acquisitions or disposals of AFS investments by the Group. As at 30 June 2016, the AFS investments of the Group were comprised of unlisted securities in three overseas entities at the carrying amount/fair value amounting to an aggregate of approximately HK\$300,722,000 (31 December 2015: approximately HK\$534,200,000) and two unlisted investment funds at fair value amounting to approximately HK\$25,432,000 in aggregate (31 December 2015: approximately HK\$26,385,000). Due to diminution of the value of the Group's unlisted AFS investments, the Group recognised impairment losses of approximately HK\$167,566,000 (six months ended 30 June 2015: Nil) and other comprehensive expense of approximately HK\$66,865,000 (six months ended 30 June 2015: income of approximately HK\$1,264,000) on its unlisted AFS investments for the Period. Therefore, the Group's AFS investment portfolio which was measured at carrying amount/fair value decreased to approximately HK\$326,154,000 (31 December 2015: approximately HK\$560,585,000). The followings set out further information of the AFS investment portfolio of the Group for the Period.

Due to the changes in the issued share capital of Freewill Holdings Limited ("FHL"), a company incorporated in the Marshall Islands with limited liability principally engaged in property investment, financial services and money lending in Hong Kong, the Group's equity interest in FHL was slightly diluted to 5.71% at end of the Period (31 December 2015: 6.09%). An impairment of approximately HK\$41,492,000 was recognized for the Period so that the carrying amount of FHL was decreased to approximately HK\$138,508,000 as at 30 June 2016 (31 December 2015: HK\$180,000,000).

The Group's interests in Joint Global Limited ("JGL"), a company incorporated in the Marshall Islands with limited liability principally engaged in private equity investment and debt securities investment, was slightly diluted to 8.63% as at 30 June 2016 (31 December 2015: 8.89%) following the issuance of new shares by JGL. The Group recognized impairment of approximately HK\$126,074,000 against the carrying amount of JGL with reference to the latest available financial statements of JGL. By way of distribution in species of JGL during the Period, the Group entitled to a convertible note which was recorded as dividend income in an amount of approximately HK\$7,604,000 to the Group for the Period and the convertible note was classified as financial assets at fair value through profit or loss ("FAFVPL") in the consolidated statement of financial position. As at 30 June 2016, the fair value of such FAFVPL amounted to approximately HK\$7,562,000 (31 December 2015: Nil).

The fair value change of Co-Lead Holdings Limited (“CoL”), a company incorporated in the British Virgin Islands principally engaged in securities investments amounted to approximately HK\$65,912,000 was booked as other comprehensive expense for the Period. As a result of the changes in the issued share capital of CoL, the Group’s equity interests in CoL at end of the Period slightly decreased to 9.66% (31 December 2015: 9.73%).

The Group also invested in two unlisted investment funds which principally invest in China and high-dividend securities in Asian region respectively. The fair value of these two investment funds slightly decreased to approximately HK\$25,432,000 at end of the Period (31 December 2015: approximately HK\$26,385,000) and such decrease in fair value of approximately HK\$953,000 was booked as other comprehensive expense for the Period.

Notwithstanding the impairment losses on the Group’s AFS investments for the Period amounted to approximately HK\$167,566,000, the recognition of such losses did not constitute adverse effect to the cashflow of the Group. Following the referendum of withdrawal of the United Kingdom from the European Union (“Brexit”), the United States presidential election of 2016 is expected to create uncertainties to the global financial markets to a certain extent. However, it is believed that the impending launch of “Shenzhen-Hong Kong Stock Connect” may strengthen the interconnectivity between the Mainland China and Hong Kong and it will possibly boost the overall market sentiment of the capital market in Hong Kong. The Board views the future financial market with cautious optimism and expects the market recovery may hold out the prospect of the Group’s investment portfolio. On the other hand, the Company will adopt a cautious approach to closely monitor and appraise the aforesaid AFS investments from time to time and will also consider realization of certain AFS investments if and when suitable opportunities arise.

Money Lending Business

The Group continues to utilize part of its surplus cash to provide short-term financing to corporate and individual borrowers. During the Period, the Group enlarged the loan portfolio and the interest income generated from the money lending business amounted to approximately HK\$5,751,000 (six months ended 30 June 2015: approximately HK\$1,053,000), representing a substantial increase of approximately 446.15% as compared to the corresponding period in 2015. Loans receivable increased from approximately HK\$142,714,000 as at 31 December 2015 to approximately HK\$239,611,000 as at 30 June 2016.

Wine Trading

Sales performance of wine trading was improving during the Period with a turnover of approximately HK\$2,868,000 recorded (six months ended 30 June 2015: approximately HK\$787,000). Profit attributed to this business segment amounted to approximately HK\$430,000 for the Period (six months ended 30 June 2015: a loss of approximately HK\$121,000), representing a turnaround improvement as compared to loss incurred for the corresponding period in 2015.

LIQUIDITY, FINANCIAL ANALYSIS AND CAPITAL STRUCTURE

As at 30 June 2016, the Group had a secured short-term borrowing of HK\$10,000,000 (31 December 2015: HK\$10,000,000) which carries interest at floating rate with a maturity due within one year. Such borrowing was denominated in Hong Kong dollar, and thus, there was no exposure to fluctuations in exchange rate. Gearing ratio of the Group as at 30 June 2016 is approximately 1.54% (31 December 2015: 1.12%). This calculation is based on net borrowing mentioned above and shareholders' funds of approximately HK\$649,742,000. As at the date of the consolidated statement of financial position, bank balances and cash amounted to approximately HK\$74,465,000 (31 December 2015: approximately HK\$180,342,000) and total assets were approximately HK\$685,461,000 (31 December 2015: approximately HK\$930,923,000). Net current assets of the Group on the same date amounted to approximately HK\$298,426,000 (31 December 2015: approximately HK\$302,474,000). Inventories decreased from approximately HK\$16,266,000 as at 31 December 2015 to approximately HK\$9,394,000 as at 30 June 2016 as an allowance of certain slow-moving finished goods regarding health care products of approximately HK\$6,524,000 was recognized for the Period. The Group had no material capital commitment as at 30 June 2016.

As at 30 June 2016, the issued share capital of the Company was 1,059,749,920 shares of HK\$0.01 each.

FOREIGN EXCHANGE RISKS

The Group's operations conducted in the PRC are mainly settled in Renminbi while wine trading billings are mainly settled in Euro. However, securities trading and investments, and money lending are conducted in Hong Kong. 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 2016 AND DEVELOPMENT PLAN

Despite the effect on market trimming by the economic soft landing in China and faced the competition from imported and domestic goods, the Group will strive to maintain the present market share of its pharmaceutical products through efficient control over product costs and quality.

Sales performance of Chenlong Baoling Longevity Ginseng products was weak in the first half of 2016. It is expected that the Group will be able to generate more revenue by the enhanced sales channel in future.

The impact of "Brexit" remains uncertain at this stage and the misgiving of economic soft landing in China may lead to financial market volatility. The Group will continue to adopt a cautious approach to review its existing investment portfolio from time to time. Exploring and appraising other long term investments in both overseas and local markets will be taken into consideration by the Group in

future. In addition, the Group will closely monitor the market conditions and will consider changing the composition of its AFS investments portfolio and investing in listed securities if and when suitable opportunities arise.

Apart from the existing core businesses, the Group will identify opportunities for new investments and other principal businesses, particularly in property investments. The board will continue to explore new projects so as to diversify the business of the Group and to achieve better returns in future.

DETAILS OF MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the Period, the Group did not have any material acquisition and disposal of subsidiaries.

DIVIDEND

No dividends were paid, declared or proposed during the Period (six months ended 30 June 2015: Nil). The Board did not recommend any dividend payment for the Period (six months ended 30 June 2015: Nil).

PLEDGE OF ASSETS

At 30 June 2016, the short-term borrowing of HK\$10,000,000 (31 December 2015: HK\$10,000,000) was secured by the unlisted investments funds included in AFS investments with the carrying amount of approximately HK\$25,432,000 (31 December 2015: HK\$26,385,000). In addition, a corporate guarantee limited to HK\$15,000,000 was made by the Group.

CONTINGENT LIABILITIES

As at 31 December 2015, the Group was subject to a claim of approximately HK\$9.4 million from an external consultant pursuant to a so-called consulting agreement alleged by him and the outstanding retainer fee and expenses in relation to the disposal of electronic cigarette business taken place in 2013. On 12 April 2016, a notice of discontinuance which stipulated that the proceedings against the Company be wholly discontinued was filed in the High Court of the Hong Kong Special Administrative Region by the plaintiffs. Therefore, at end of the Period, the Group was not liable to any material legal proceedings of which provision for contingent liabilities was required.

EMPLOYEE POLICY

As at 30 June 2016, the Group employed 101 employees in the PRC and Hong Kong. The remuneration package of the employee is determined with reference to market conditions, their performance, experience and their positions, duties and responsibilities in the Group.

DISCLOSURE OF OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the Period, 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 is responsible for performing the corporate governance duties with written terms of reference. Save as disclosed below, the Company has complied with all code provisions of the Corporate Governance Code (the “Code”) during the Period as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“the Listing Rules”).

Code Provision A.4.1 stipulated that non-executive directors shall be appointed for a specific term and be subject to re-election. The appointment of Mr. Lam Man Sum, Albert as independent non-executive director is not subject to a specific term of office, which constitutes a deviation from A.4.1 of the Code. However, all the independent non-executive directors of the Company are subject to retirement by rotation at the annual general meeting of the Company in accordance with the Company’s Articles of Association. As such, the Company 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, all independent non-executive directors should attend general meetings of the Company and develop a balanced understanding of shareholders’ view. For the annual general meeting held on 26 May 2016, Mr. Chang Tat Joel was unable to attend due to other business engagement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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 enquiries 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 Period.

AUDIT COMMITTEE

The interim results for the Period have been reviewed by the audit committee of the Company. The audit committee comprises three independent non-executive directors of the Company, namely Mr. Lam Man Sum, Albert, Mr. Chang Tat Joel and Mr. Wong Stacey Martin.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement was published on the website of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (www.hkexnews.hk) and the Company’s website (www.dragonite.com.hk). The 2016 interim report will be published on the Stock Exchange’s website and the Company’s website 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 its business partners, management and staff members, and shareholders for their continuous support.

By order of the Board
Dragonite International Limited
Lee Kien Leong
Chairman

Hong Kong, 26 August 2016

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

Executive Directors

Mr. Lee Kien Leong (*Chairman*)
Ms. Chan Mee Sze (*Managing Director*)
Mr. Lam Suk Ping

Independent Non-executive Directors

Mr. Lam Man Sum, Albert
Mr. Chang Tat Joel
Mr. Wong Stacey Martin