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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 FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

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 2016 (the “Year”) together with the comparative figures for the corresponding year in 2015 as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> <i>(restated)</i>
Continuing operations			
<i>Revenue</i>			
Sales of goods		2,816	1,637
Cost of goods sold		<u>(2,318)</u>	<u>(948)</u>
		498	689
Change in fair value of financial assets at fair value through profit or loss		<u>—</u>	<u>28,038</u>
		498	28,727
Other income		140	7,879
Other gains and losses		(422,484)	32,007
Selling and distribution costs		(184)	—
Administrative expenses		(15,559)	(17,694)
Finance costs		<u>(144)</u>	<u>(102)</u>
(Loss) profit before tax		(437,733)	50,817
Income tax expense	4	<u>(59)</u>	<u>(3,769)</u>
(Loss) profit for the year from continuing operations	5	(437,792)	47,048
Discontinued operations			
Loss for the year from discontinued operations		<u>(12,105)</u>	<u>(13,679)</u>
(Loss) profit for the year		<u>(449,897)</u>	<u>33,369</u>
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale investments:			
Net movement in fair value reserve			
- Changes in fair value recognised during the year		(185,622)	56,335
- Reclassification adjustments for amounts transferred to profits or loss:			
Loss (gain) on disposal of available-for-sale investments		149,956	(20,669)
		(35,666)	35,666
Exchange differences arising on translation of foreign operations		<u>(5,763)</u>	<u>(1,710)</u>
		<u>(41,429)</u>	<u>33,956</u>
Total comprehensive (expenses) income for the year		<u>(491,326)</u>	<u>67,325</u>
(Loss) earnings per share			
Basic and diluted			
- Continuing operations		HK\$(0.41)	HK\$0.04
- Discontinued operations		HK\$(0.01)	HK\$(0.01)
		<u>HK\$(0.42)</u>	<u>HK\$0.03</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2016**

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		648	24,541
Available-for-sale investments		—	560,585
Prepaid lease payments		—	2,307
Rental deposits		1,968	—
		2,616	587,433
Current assets			
Inventories		305	16,266
Trade receivables	7	29	1,790
Loans receivable		—	142,714
Deposits, prepayments and other receivables		827	2,296
Prepaid lease payments		—	82
Bank balances and cash		414,263	180,342
		415,424	343,490
Assets of disposal group classified as held for sale		28,305	—
		443,729	343,490
Current liabilities			
Trade payables	8	—	949
Accruals and other payables		12,815	29,969
Taxation payable		—	98
Borrowing		—	10,000
		12,815	41,016
Liabilities of disposal group classified as held for sale		34,949	—
		47,764	41,016
Net current assets		395,965	302,474
NET ASSETS		398,581	889,907
CAPITAL AND RESERVES			
Share capital		10,598	10,598
Reserves		387,983	879,309
TOTAL EQUITY		398,581	889,907

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Share capital <i>HK\$'000</i>	Share premium <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 reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Attributable to owners of the Company <i>HK\$'000</i>
Balance at 1 January 2015	10,598	217,190	61,053	24,737	3,142	—	505,862	822,582
Changes in equity for 2015:								
Profit for the year	—	—	—	—	—	—	33,369	33,369
Other comprehensive (expense) income for the year	—	—	(1,710)	—	—	35,666	—	33,956
Total comprehensive (expense) income	—	—	(1,710)	—	—	35,666	33,369	67,325
Balance at 31 December 2015 and 1 January 2016	10,598	217,190	59,343	24,737	3,142	35,666	539,231	889,907
Changes in equity for 2016:								
Loss for the year	—	—	—	—	—	—	(449,897)	(449,897)
Other comprehensive expense for the year	—	—	(5,763)	—	—	(35,666)	—	(41,429)
Total comprehensive expense	—	—	(5,763)	—	—	(35,666)	(449,897)	(491,326)
Balance at 31 December 2016	<u>10,598</u>	<u>217,190</u>	<u>53,580</u>	<u>24,737</u>	<u>3,142</u>	<u>—</u>	<u>89,334</u>	<u>398,581</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 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 KY1-1111, Cayman Islands and Suite 3205, 32/F., Tower 6, The Gateway, 9 Canton Road, Tsim Sha Tsui, Kowloon, 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, securities trading and investments, money lending and trading of wines in the PRC and Hong Kong. During the year ended 31 December 2016, the Company ceased the money lending business upon disposal of Dragonite Resources Limited. During the year ended 31 December 2016, the Company entered into an agreement (the “Agreement”) with an independent third party to sell its entire interest in the operations of pharmaceutical and healthcare businesses. Pursuant to the Agreement, completion of the disposal will take place on or before 31 December 2017 if the termination right is not exercised by the Company at its sole discretion. Assets and liabilities attributable to the businesses were classified as disposal group held for sale and their results of operations were classified as discontinued operations, presented separately in the consolidated financial statements.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is the Company’s functional and the Group’s presentation currency.

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

The Hong Kong Institute of Certified Public Accountants (“HKICPA”) has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(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 based on nature of business.

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

- (a) securities trading and investments
- (b) trading of wines
- (c) money lending (ceased after November 2016 and classified as discontinued operations during the year ended 31 December 2016)
- (d) health care products, which are mainly represented by ginseng products (classified as discontinued operations during the year ended 31 December 2016)
- (e) pharmaceutical products, which are mainly represented by licensed medicines (classified as discontinued operations during the year ended 31 December 2016)

Segment revenue and results

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

For the year ended 31 December 2016

	Continuing operations			Discontinued operations				Total
	Securities trading and investments	Trading of wine	Subtotal	Money lending	Health care products	Pharmaceutical products	Subtotal	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue								
Sales of goods	—	2,816	2,816	—	308	19,560	19,868	22,684
Interest income from loans receivable	—	—	—	9,540	—	—	9,540	9,540
	—	2,816	2,816	9,540	308	19,560	29,408	32,224
Segment (loss)/profit	<u>(422,456)</u>	<u>(778)</u>	<u>(423,234)</u>	<u>9,224</u>	<u>(21,942)</u>	<u>1,725</u>	<u>(10,993)</u>	<u>(434,227)</u>
Other income			140				11	151
Unallocated corporate and other expenses			(14,495)				(1)	(14,496)
Finance costs			(144)				(346)	(490)
Loss before taxation			(437,733)				(11,329)	(449,062)
Income tax expense			(59)				(776)	(835)
Loss for the year			<u>(437,792)</u>				<u>(12,105)</u>	<u>(449,897)</u>

For the year ended 31 December 2015 (restated)

	Continuing operations			Discontinued operations			Subtotal	Total
	Securities trading and investments	Trading of wine	Subtotal	Money lending	Health care products	Pharmaceutical products		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue								
Sales of goods	—	1,637	1,637	—	2,560	20,178	22,738	24,375
Change in fair value of financial assets at fair value through profit or loss	28,038	—	28,038	—	—	—	—	28,038
Interest income from loans receivable	—	—	—	7,596	—	—	7,596	7,596
	<u>28,038</u>	<u>1,637</u>	<u>29,675</u>	<u>7,596</u>	<u>2,560</u>	<u>20,178</u>	<u>30,334</u>	<u>60,009</u>
Segment profit (loss)	<u>46,302</u>	<u>592</u>	<u>46,894</u>	<u>7,320</u>	<u>(22,041)</u>	<u>2,331</u>	<u>(12,390)</u>	<u>34,504</u>
Other income			7,879				580	8,459
Unallocated corporate and other expenses			(15,192)				(1,279)	(16,471)
Gain on disposal of subsidiaries			11,338				—	11,338
Finance costs			(102)				—	(102)
Profit (loss) before taxation			50,817				(13,089)	37,728
Income tax expense			(3,769)				(590)	(4,359)
Profit (loss) for the year			<u>47,048</u>				<u>(13,679)</u>	<u>33,369</u>

Segment revenue includes proceeds from sales of goods, interest income from loans receivable and change in fair value of financial assets at fair value through profit or loss (excluding derivative financial instruments).

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

Revenue from continuing operations on major products

	2016 HK\$'000	2015 HK\$'000 (restated)
Wine products	<u>2,816</u>	<u>1,637</u>

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group is as follows:

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(restated)</i>
Continuing operations		
Customer A ¹	2,476	833
Customer B ¹	<u>—</u>	<u>496</u>

¹ Revenue from trading of wines.

(4) INCOME TAX EXPENSE

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(restated)</i>
Continuing operations		
Hong Kong Profits Tax	59	18,492
Deferred tax credit	<u>—</u>	<u>(14,723)</u>
	<u>59</u>	<u>3,769</u>

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

(5) (LOSS) PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> <i>(restated)</i>
(Loss) Profit for the year from continuing operations has been arrived at after charging (crediting):		
Staff costs		
Directors' emoluments		
- fees and other emoluments	3,734	3,855
Other staff costs		
- salaries, allowances and bonus	2,869	2,842
- retirement benefits scheme contributions	95	103
	<u>6,698</u>	<u>6,800</u>
Cost of inventories recognised as an expense	2,318	948
Auditor's remuneration	1,750	1,855
Depreciation of property, plant and equipment	612	315
Operating lease rentals in respect of land and buildings	1,727	2,338
Interest income from bank balances (included in other income)	(1)	(180)
Imputed interest income from deferred consideration (included in other income)	—	(7,651)
Legal and professional expenses	<u>3,020</u>	<u>6,197</u>

(6) (LOSS) EARNINGS PER SHARE

Basic (loss) earnings per share is calculated by dividing the (loss) profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

Basic

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> <i>(restated)</i>
(Loss) profit attributable to equity holders of the Company		
- Continuing operations	(437,792)	47,048
- Discontinued operations	<u>(12,105)</u>	<u>(13,679)</u>
	<u>(449,897)</u>	<u>33,369</u>
Weighted average number of ordinary shares in issue	<u>1,059,749,920</u>	<u>1,059,749,920</u>

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There were no dilutive potential ordinary shares during the years ended 31 December 2016 and 2015. Therefore, the diluted earnings per share are the same as basic earnings per share.

(7) TRADE RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables	57	27,013
Less: Allowance for doubtful debts	<u>(28)</u>	<u>(25,223)</u>
	<u>29</u>	<u>1,790</u>

The Group allows an average credit period from 60 to 270 days to its trade customers.

The following is an ageing analysis of trade receivables net of allowance for doubtful debts presented based on the invoice dates, which approximates the respective revenue recognition dates, at the end of the reporting period:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 to 60 days	29	1,302
61 to 90 days	—	24
91 to 180 days	—	273
181 to 270 days	<u>—</u>	<u>191</u>
	<u>29</u>	<u>1,790</u>

The receivables with a carrying amount of approximately HK\$29,000 (2015: approximately HK\$1,790,000) 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.

(8) TRADE PAYABLES

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

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

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	63	711
Over 1 year	223	238
Less: Liabilities of disposal group classified as held for sale	<u>(286)</u>	<u>—</u>
	<u>—</u>	<u>949</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded an audited consolidated net loss of approximately HK\$449,897,000 for the Year (2015 net profit: approximately HK\$33,369,000). Total revenue generated from continuing and discontinued operations for the Year were approximately HK\$32,224,000 (2015: approximately HK\$60,009,000). The substantial decrease of revenue was due to the halt of securities trading and investment since the second half of 2015. The loss incurred for the Year was mainly attributable to the impairment losses on unlisted available-for-sale (“AFS”) investments amounting to approximately HK\$167,566,000 and the losses on disposal of subsidiaries engaged in AFS investments amounting to approximately HK\$252,353,000. As a result of the aforesaid losses on disposal of subsidiaries and impairment losses, the net asset value of the Group decreased from approximately HK\$889,907,000 as at 31 December 2015 to approximately HK\$398,581,000 as at 31 December 2016, representing a 55.2% decrease.

Health Care and Pharmaceutical Products

Sales performance of healthcare products was weak for the Year as a result of decline of premium market in Mainland China. Revenue from Chenlong Baoling Longevity Ginseng products for the Year amounted to approximately HK\$308,000 (2015: approximately HK\$2,560,000), representing a significant decrease. The segment loss of approximately HK\$21,942,000 (2015: approximately HK\$22,041,000) was mainly due to an allowance of slow moving ginseng products of approximately HK\$12,971,000 (2015: approximately HK\$8,632,000) included in the result of discontinued operations.

Sales of the pharmaceutical products during the Year was largely contributed by two key products, Azithromycin Granules (II) (「阿奇霉素颗粒 (II)」) and Rosiglitazone Hydrochloride Capsules (「鹽酸叻格列酮膠囊」). The sales performance of pharmaceutical products for the Year was stable. Revenue of pharmaceutical products for the Year was approximately HK\$19,560,000, representing a slight decrease of 3.1% from approximately HK\$20,178,000 as compared to last year. The segment profit for the Year amounted to approximately HK\$1,725,000 (2015: approximately HK\$2,331,000).

Results of the trading and manufacturing of healthcare and pharmaceutical products were classified as discontinued operations and were treated as held for sale in accordance with the applicable accounting standards due to the entering into of a sale and purchase agreement as mentioned hereinbelow in the section headed “Prospects for the Year 2017 and Development Plan”. As at the date of this announcement, the Group has not yet completed the disposal of these business segments.

Securities Trading and Investments

Since July 2015, trading and investment in listed securities has come to a halt and therefore, trading and investment in listed securities no longer generated any revenue during the Year (2015: approximately HK\$28,038,000), leading to a significant decline in revenue of the Group for the Year as compared to previous financial year.

Available-for-sale investments

All AFS investments of the Group were sold during the Year. Hence, as at 31 December 2016, there was no AFS investment of the Group (31 December 2015: three overseas entities at carrying amount/fair value in an aggregate of approximately HK\$534,200,000 and two unlisted investment funds at fair value of approximately HK\$26,385,000 in aggregate). The followings set out further information on the disposal of AFS investments of the Group for the Year.

During the Year, the Group recognized impairment of approximately HK\$126,074,000 against the carrying amount of Joint Global Limited (“JGL”), a company incorporated in the Marshall Islands with limited liability principally engaged in private equity investment and debt securities investment, due to the substantial loss incurred and the decrease in net asset value of JGL with reference to the unaudited management accounts of JGL. During the Year, JGL engaged in debt securities investment and distributed the convertible note in its investment portfolio to the members. Therefore, by way of distribution in species of JGL in April 2016, the Group entitled to a convertible note (the “CN”) in the principal amount of approximately HK\$19,855,000 bearing the interest rate of 5% per annum convertible into 26,633,094 ordinary shares of Up Energy Development Group Limited (“Up Energy”), a company incorporated in Bermuda with limited liability and listed on

The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (representing approximately 0.58% of the enlarged issued share capital upon full conversion of the Group’s entitlement) at the conversion price of HK\$0.7455 due 31 December 2018. In November 2016, the Group disposed of its entire interest of 8.63% (31 December 2015: 8.89%) in JGL and the CN at the consideration of HK\$10,000,000. As at 31 December 2016, the carrying amount of JGL was HK\$Nil (31 December 2015: HK\$137,500,000).

Having reviewed the unaudited management accounts of Freewill Holdings Limited (“FHL”) and considered the unaudited net asset value of FHL as at 30 June 2016 in principle, an impairment of approximately HK\$41,492,000 was recognized for the Year. In December 2016, the Group disposed of its entire interest of 5.71% (31 December 2015: 6.09%) in FHL, a company incorporated in the Marshall Islands with limited liability principally engaged in property investment, financial services and money lending in Hong Kong, at the consideration of HK\$35,000,000. As at 31 December 2016, the carrying amount of FHL was HK\$Nil (31 December 2015: HK\$180,000,000).

During the Year, 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\$186,700,000 was booked as other comprehensive expense. In December 2016, the Group disposed of its entire interest of 9.66% (31 December 2015: 9.73%) in CoL at the consideration of HK\$30,000,000. All the cumulative gain or loss previously accumulated in the investment revaluation reserve resulting from the change in fair value was reclassified to profit or loss amounting approximately HK\$ 147,419,000 for the Year. As at 31 December 2016, the carrying amount of CoL was HK\$Nil (31 December 2015: HK\$216,700,000).

In August 2016, the Group realized two unlisted investment funds at market value of approximately HK\$27,462,000 (31 December 2015: approximately HK\$26,385,000) with a net loss on disposal of approximately HK\$2,537,000. All the cumulative gain or loss previously accumulated in the investment revaluation reserve was reclassified to profit or loss for the Year.

Money Lending Business

In 2016, the Group continued to utilize part of its surplus cash to provide short-term financing to corporate and individual borrowers. During the Year, the Group enlarged the loan portfolio and the interest income generated from the money lending business amounted to approximately HK\$9,540,000 (2015: approximately HK\$7,596,000), representing an increase of approximately 25.6% as compared to last year. In November 2016, the Group disposed of the entire equity interest in its wholly-owned subsidiary which carried out money lending business, at a consideration of HK\$30,000,000. Therefore, the Group did not record any loan receivables as at 31 December 2016 (31 December 2015: HK\$142,714,000).

Wine Trading

Revenue generated from trading of wine products for the Year increased to approximately HK\$2,816,000 (2015: approximately HK\$1,637,000). However, the Group recorded a loss of approximately HK\$778,000 (2015: profit of approximately HK\$592,000) in this business segment.

LIQUIDITY, FINANCIAL ANALYSIS AND CAPITAL STRUCTURE

As at 31 December 2016, the Group had no outstanding secured bank borrowing (31 December 2015: HK\$10,000,000) as the amount was fully repaid during the Year. However, as at 31 December 2016, the Group had other unsecured borrowing at fixed interest rate classified under “liabilities of a disposal group classified as held for sale” of approximately HK\$11,164,000 (31 December 2015: HK\$Nil). Such borrowing was denominated in Renminbi, and thus, there was exposure to fluctuations in exchange rate. Gearing ratio of the Group as at 31 December 2016 was approximately 2.8% (31 December 2015: 1.12%). This calculation is based on net borrowing mentioned above and shareholders’ funds of approximately HK\$398,581,000 (31 December 2015: approximately HK\$889,907,000). Cash and bank balances amounted to approximately HK\$414,263,000 (31 December 2015: approximately HK\$180,342,000) and total assets were approximately HK\$446,345,000 (31 December 2015: approximately HK\$930,923,000). Net current assets of the Group on the same date amounted to approximately HK\$395,965,000 (31 December 2015: approximately HK\$302,474,000). As at 31 December 2016, total inventories, including those under “Assets of disposal group classified as held-for-sale”, amounted to approximately HK\$4,668,000, representing a substantial decrease of approximately HK\$11,598,000 when compared with the amount as at 31 December 2015. The Group had no material capital commitment as at 31 December 2016.

As at 31 December 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 as well as money lending are conducted in Hong Kong. Therefore, the Group was exposed to fluctuations in foreign exchange rate to a certain extent during the Year. 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 2017 AND DEVELOPMENT PLAN

Notwithstanding the Group had attempted to promote and repackage its ginseng products in China in previous years, the sales performance remained weak during the Year. In the last quarter of 2016, the Group entered into an agreement to dispose of the entire issued share capital of Captain Wise Limited and its subsidiaries at the consideration of HK\$10 million so as to sell its entire interest in manufacturing and trading of pharmaceutical and healthcare business, pursuant to which the Group was granted an option to terminate the disposal at its sole discretion before end of 2017. The Board will appraise the performance of such business and other business opportunities prior to proceeding with the completion.

Looking forward, with the breadth of experience and knowledge of the new board members, the Group will strive to develop some core businesses in fund management as well as in cross-border direct investment and in particular the fixed income investment in various business sectors. The Company will explore the opportunities of partnership arrangement and some external financial resources and banking facilities to finance such business developments. Meanwhile, the Group is in the midst of appraising some investment proposals mainly in healthcare, life-science and education industries which have yet to be materialized and may or may not proceed.

U.K. Prime Minister Theresa May is preparing to trigger Brexit in the last week of March 2017 after securing the permission of the parliament to begin two years of talks with European Union and the decline in sterling pound following the Brexit vote has become a lure to foreign investors. The Board will certainly take into account the global economy in evaluating overseas investments if and when suitable opportunities arise. It is expected that under the stewardship of new board members, the Group will have a new direction in future business developments.

On 24 February 2017, the Board announced the proposed change of the English name of the Company from Dragonite International Limited to “OCI International Holdings Limited” and to adopt the Chinese name “東建國際控股有限公司” as the new dual foreign name of the Company in place of its existing Chinese name “叁龍國際有限公司”. The proposed change of company name is subject to the shareholders’ approval at the forthcoming annual general meeting of the Company and the Registrar of Companies in the Cayman Islands granting the approval. It is expected that the new name can provide the Company with a fresh corporate image and identity which will benefit the Company’s future business development.

DETAILS OF MATERIAL DISPOSAL OF SUBSIDIARIES

In November 2016, the Group disposed of the entire issued share capital of Smart State Developments Limited, an investment holding company incorporated in the British Virgin Islands with limited liability for the consideration of HK\$10,000,000 to an independent third party to enable the Company to exit the loss making AFS investment in JGL. A loss on disposal of approximately HK\$1,426,000 was recorded for the Year.

In November 2016, the Group also disposed of the entire issued share capital of Dragonite Resources Limited, a company incorporated in the British Virgin Islands with limited liability, for the consideration of HK\$30,000,000 to an independent third party as the Group determined to cease its money lending business. A loss on disposal of approximately HK\$189,000 was recorded for the Year.

In December 2016, the Group further completed the disposal of the entire issued share capital of two subsidiaries, Colour State Limited and Silvermoon Developments Limited, both the investment holding companies incorporated in the British Virgin Islands with limited liability for the consideration of HK\$30,000,000 and HK\$35,000,000 respectively, to two independent third parties to enable the Company to exit the loss making AFS investments in CoL and FHL. Losses resulting from the said disposals of approximately HK\$147,419,000 and HK\$103,508,000 were recorded for the Year respectively.

DIVIDEND

The Board does not recommend any dividend payment for the Year. (2015: HK\$Nil)

PLEDGE OF ASSETS

At 31 December 2016, no secured short-term borrowing (31 December 2015: HK\$10,000,000) was reported. (31 December 2015: secured by the unlisted investments funds included in AFS investments with the carrying amount of approximately HK\$26,385,000)

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 during the year ended 31 December 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 Year, the Group was not liable to any legal proceedings of which provision for contingent liabilities was required.

EMPLOYEE POLICY

As at 31 December 2016, the Group employed approximately 100 employees in the PRC and Hong Kong. The remuneration package of the employees is determined with reference to market conditions, their performance, experience and their positions, duties and responsibilities in the Group.

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”) 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 the Code during the Year, except the deviations from code provisions A.4.1, A.6.7 and D.1.4 of the Code.

Article D.1.4 of the Code stipulates that issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. As three of the newly appointed Executive Directors, namely Mr. Feng Hai, Mr. Li Yi and Ms. Xiao Qing have not entered into service contracts with the Company for their appointments as directors of the Company, which constitutes a deviation from D.1.4 of the Code. Three of them do not receive any remuneration for their appointment as directors of the Company and the Company is in the course of finalizing the service contracts with them. The Board believes that such deviation from D.1.4 of the Code can be resolved soon.

Article A.4.1 of the Code stipulates that non-executive directors shall be appointed for a specific term and be subject to re-election. Save as the appointment of Mr. Lam Man Sum, Albert as an Independent Non-executive Director has no specific term of office, which constitutes a deviation from A.4.1 of the Code, all the Independent Non-executive Directors and Non-executive Directors have been appointed for an initial term of 3 years. However, all Independent Non-executive Directors and 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 and Non-executive Director 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, the Independent Non-Executive Director of the Company was unable to attend due to other business engagement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Following enquiries with the Directors, the Company has received confirmation from each of the Directors confirming that he or she has complied with the required standard of dealings set out in the Model Code for 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 three Independent Non-Executive Directors of the Company, namely Mr. Chang Tat Joel, Mr. Lam Man Sum, Albert and Mr. Wong Stacey Martin.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the Year (the "AGM") is scheduled to be held at Bowen Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 26 May 2017, Friday at 3:00 p.m. A notice convening the AGM will be issued and disseminated to the shareholders of the Company (the "Shareholders") in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 23 May 2017 to Friday, 26 May 2017 (both days inclusive), during which period no transfer of shares of the Company (the "Shares") will be registered. To be eligible for attending and voting at the forthcoming AGM to be held on Friday, 26 May 2017, all transfer of Shares accompanied by the relevant share certificates must be lodged with the

Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Monday, 22 May 2017.

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 2016 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 in due course.

APPRECIATION

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

By order of the Board
Dragonite International Limited
Chan Mee Sze
Managing Director

Hong Kong, 24 March 2017

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

Executive Directors

Mr. Feng Hai (*Chairman*)
Ms. Chan Mee Sze (*Managing Director*)
Mr. Lam Suk Ping
Mr. Li Yi
Ms. Xiao Qing

Independent Non-executive Directors

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

Non-executive Directors

Mr. Du Peng
Ms. Zheng Xiaosu