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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 2013

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 2013 (the "Period") together with the comparative figures for the corresponding period in 2012 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended	
	NOTES	**30.6.2013**	30.6.2012
		HK$'000	*HK$'000*
		(unaudited)	*(unaudited)*
Turnover			
Sales of goods		**8,955**	9,755
Cost of goods sold		**(5,519)**	(5,936)
		3,436	3,819
Dividend income		**292**	43
Rental income		**2,460**	2,220
Interest income from loan receivables		**1,077**	—
Change in fair value of financial assets at fair value through profit or loss		**(30,503)**	(16,578)
		(23,238)	(10,496)
Other income		**327**	1,309
Other gains and losses		**(973)**	(10,674)
Distribution costs		**(2,647)**	(3,404)
Administrative expenses		**(25,462)**	(28,679)
Other expenses		**(4,580)**	(3,430)
Finance costs		**(800)**	(824)
Loss before tax		**(57,373)**	(56,198)
Income tax expense	5	**(592)**	(188)
Loss for the period	6	**(57,965)**	(56,386)
Other comprehensive income/(expenses) for the period:			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**616**	(136)
Total comprehensive expense for the period		**(57,349)**	(56,522)
			(Restated)
Loss per share			
Basic and diluted	8	**HK$29.27 cents**	HK$85.68 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	**30.6.2013**	31.12.2012
		HK$'000	*HK$'000*
		(unaudited)	*(audited)*
Non-current assets			
Property, plant and equipment		**27,748**	27,652
Investment property		**175,600**	175,600
Loan receivables	10	**5,664**	—
Prepaid lease payments		**2,644**	2,622
		211,656	205,874
Current assets			
Inventories		**8,209**	8,555
Trade receivables	9	**1,382**	1,764
Loan receivables	10	**7,083**	—
Financial assets at fair value through profit or loss		**165,296**	129,828
Deposits, prepayment and other receivables		**5,626**	14,006
Prepaid lease payments		**82**	82
Bank balances and cash		**38,866**	34,881
		226,544	189,116
Current liabilities			
Trade payables	11	**5,199**	6,096
Accruals and other payables		**33,027**	34,397
Derivative financial instruments		**18,305**	17,332
Borrowings		**24,822**	25,676
Taxation payable		**768**	1,044
		82,121	84,545
Net current assets		**144,423**	104,571
NET ASSETS		**356,079**	310,445
Capital and reserves			
Share capital		**2,120**	1,060
Reserves		**353,959**	309,385
TOTAL EQUITY		**356,079**	310,445

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Share capital HK$'000	Share premium account HK$'000	Shareholders' contribution HK$'000 (note a)	Translation reserve HK$'000	Non-distributable reserves HK$'000 (note b)	Share option reserve HK$'000	Merger reserves HK$'000 (note c)	Special reserves HK$'000 (note d)	Retained earnings (accumulated losses) HK$'000	Total equity attributable to owners HK$'000
At 1 January 2012 (audited)	271,731	1,433,173	21,780	93,991	24,737	8,716	(1,016,738)	3,142	(604,680)	235,852
Loss for the period	—	—	—	—	—	—	—	—	(56,386)	(56,386)
Other comprehensive expenses for the period	—	—	—	(136)	—	—	—	—	—	(136)
Total comprehensive expenses for the period	—	—	—	(136)	—	—	—	—	(56,386)	(56,522)
Capital Reorganisation	(266,296)	(1,433,173)	—	—	—	—	—	—	1,699,469	—
Issue of shares upon rights issue	10,869	97,823	—	—	—	—	—	—	—	108,692
Issue of shares upon placing	3,261	18,260	—	—	—	—	—	—	—	21,521
Transaction costs attributable to issue of shares	—	(3,799)	—	—	—	—	—	—	—	(3,799)
At 30 June 2012 (unaudited)	19,565	112,284	21,780	93,855	24,737	8,716	(1,016,738)	3,142	1,038,403	305,744
At 1 January 2013 (audited)	1,060	123,744	21,780	95,160	24,737	8,716	(1,016,738)	3,142	1,048,844	310,445
Loss for the period	—	—	—	—	—	—	—	—	(57,965)	(57,965)
Other comprehensive income for the period	—	—	—	616	—	—	—	—	—	616
Total comprehensive income for the period	—	—	—	616	—	—	—	—	(57,965)	(57,349)
Issue of shares upon rights issue	1,060	104,915	—	—	—	—	—	—	—	105,975
Transaction costs attributable to the issue of shares	—	(2,992)	—	—	—	—	—	—	—	(2,992)
Transfer upon forfeiture of share options	—	—	—	—	—	(109)	—	—	109	—
At 30 June 2013 (unaudited)	2,120	225,667	21,780	95,776	24,737	8,607	(1,016,738)	3,142	990,988	356,079

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 subsidiary in the People's Republic of China (the "PRC") under the PRC laws and regulations.

(c) 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 consideration paid for acquisition of RIHL during the year ended 31 December 2007.

(d) The special reserve of the Group represents reserve arising pursuant to group reorganisation on the basis that the group reorganisation had been affected on 1 January 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 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 investments and money lending in Hong Kong.

The functional currency of the Company is Hong Kong dollars ("HKD"). For the purposes of presenting the condensed 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) 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 property and financial instruments, which are measured at their 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 2013 (the "Period") are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

HKFRSs (Amendments)	Annual improvements to HKFRSs 2009 - 2011 cycle
HKFRS 7 (Amendments)	Disclosures - Offsetting financial assets and financial liabilities
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement

HKAS 1 (Amendments)	Presentation of items of other comprehensive income
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
HK(IFRIC) - INT 20	Stripping costs in the production phase of a surface mine

The application of amendments to HKFRSs had no material impact on the results and the financial position of the Group.

(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. During the second half of the year ended 31 December 2012, the Group started money lending business and the 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 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

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

For six months ended 30 June 2013

	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	—	8,241	714	—	—	—	8,955
Change in fair value of financial assets at fair value through profit or loss	—	—	—	(30,503)	—	—	(30,503)
Dividend income	—	—	—	292	—	—	292
Rental income	—	—	—	—	2,460	—	2,460
Interest income from loan receivables	—	—	—	—	—	1,077	1,077
	—	8,241	714	(30,211)	2,460	1,077	(17,719)
Segment (loss) profit	(1,698)	1,195	(14,715)	(30,227)	2,274	1,060	(42,111)
Other income							327
Change in fair value of derivative financial instruments							(973)
Unallocated corporate expenses							(13,816)
Finance costs							(800)
Loss before tax							(57,373)

For six months ended 30 June 2012

	Health care products HK$'000	Pharmaceutical products HK$'000	Ruyan atomizing cigarettes HK$'000	Securities trading and investments HK$'000	Property investment in Hong Kong HK$'000	Consolidated HK$'000
Segment turnover						
Sales of goods	—	8,891	864	—	—	9,755
Change in fair value of financial assets at fair value through profit or loss	—	—	—	(16,578)	—	(16,578)
Dividend income	—	—	—	43	—	43
Rental income	—	—	—	—	2,220	2,220
	—	8,891	864	(16,535)	2,220	(4,560)
Segment (loss) profit	(2,833)	(581)	(13,427)	(16,537)	1,268	(32,110)
Other income						1,309
Change in fair value of derivative financial instruments						(10,674)
Unallocated corporate expenses						(13,899)
Finance costs						(824)
Loss before tax						(56,198)

Segment turnover includes proceeds from sales of goods, dividend income, rental income and interest income from loan receivables. In addition, the chief operation decision maker also considers 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 central administration costs, other income, change in fair value of derivative financial instruments and finance costs. 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	
	30.6.2013	30.6.2012
	HK$'000	*HK$'000*
Income Tax in the PRC	**592**	188

No Hong Kong Profits Tax is payable by the Company or its subsidiaries operating in Hong Kong since they had no assessable profit for both periods.

PRC Enterprise Income Tax is calculated at the rate prevailing in the relevant districts of the PRC taking relevant tax incentives into account.

(6) LOSS FOR THE PERIOD

	Six months ended	
	30.6.2013	30.6.2012
	HK$'000	*HK$'000*
Loss for the Period has been arrived at after charging (crediting):		
Allowance for obsolete inventories (included in cost of sales)	**1,000**	458
Cost of inventories recognised as an expense	**4,519**	5,478
Amortisation of prepaid lease payments	**42**	48
Change in fair value of derivative financial instruments	**973**	10,674
Depreciation of property, plant and equipment	**1,075**	2,904
Impairment losses recognized in respect of other receivables (included in other expenses)	**4,580**	—
Staff costs (including directors' emoluments and share-based payment expenses)	**8,083**	8,879
Bank interest income	**(5)**	(10)

(7) DIVIDEND

No dividends were paid, declared or proposed during both periods.

(8) LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	Six months ended	
	30.6.2013	30.6.2012
	HK$'000	*HK$'000*
Loss for the purpose of basic and diluted loss per share attributable to the owners of the Company	**(57,965)**	(56,386)

	Six months ended	
	30.6.2013	30.6.2012
	'000	*'000*
		(Restated)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**198,010**	65,813

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

The weighted average number of ordinary shares adopted in the calculation of the basic and diluted loss per shares for the six months ended 30 June 2013 and 2012 have been adjusted to reflect the impact of the rights issue during the Period.

(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 date.

	30.6.2013	31.12.2012
	HK$'000	*HK$'000*
0 - 60 days	**785**	1,195
61 - 90 days	**246**	100
91 - 180 days	**156**	343
181 - 270 days	**195**	126
	1,382	1,764

(10) LOAN RECEIVABLES

	30.06.2013	31.12.2012
	HK$'000	*HK$'000*
Non-current:		
Interest bearing bond	**5,664**	—
Current:		
Fixed-rate loan receivable (Note a)	**7,083**	—
	12,747	—

Note:

(a) As at 30 June 2013, the unsecured loan receivable represented a loan provided to a borrower with effective interests 5% per annum and was fully repaid subsequently.

Loan receivables at the end of reporting period are neither past due nor impaired. The Group did not provide impairment loss to loan receivables.

(11) TRADE PAYABLES

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

	30.6.2013	31.12.2012
	HK$'000	*HK$'000*
0 - 30 days	**234**	477
31 - 60 days	**—**	874
61 - 90 days	**—**	41
Over 90 days but less than 1 year	**214**	23
Over 1 year	**4,751**	4,681
	5,199	6,096

(12) EVENT AFTER THE REPORTING PERIOD

On 14 August 2013, the Group entered into the Asset Sale Agreement ("ASA") for the disposal of certain assets at a total consideration of US$75 million (approximately HK$581,250,000) payable to the Group in the aggregate of (a) the initial purchase price of US$50 million (approximately HK$387,500,000) and (b) the deferred purchase price of US$25 million (approximately HK$193,750,000) in aggregate. The ASA is subject to certain conditions precedent including the shareholders' approval at an Extraordinary General Meeting to be held by the Company.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the Period (six months ended 30 June 2012: HK$ NIL).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded an unaudited consolidated net loss of approximately HK$57,965,000 for the Period (six months ended 30 June 2012: approximately HK$ 56,386,000). Turnover for the Period was a negative amount of approximately HK$23,238,000 (six months ended 30 June 2012: negative turnover of approximately HK$10,496,000). The net asset value of the Group increased from approximately HK$310,445,000 as at 31 December 2012 to approximately HK$356,079,000 as at 30 June 2013, representing a 14.7% increment.

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

1. The Group's securities portfolio suffered the net realized and unrealized losses of approximately HK$30,503,000 (six months ended 30 June 2012: net loss of approximately HK$16,578,000) on change in fair value of financial assets at fair value through profit or loss ("FAFVPL") in the income statement.

2. Provision for doubtful debts on long outstanding other receivable amounted to HK$4,580,000 (six months ended 30 June 2012: NIL) was made for the Period.

3. Sales of electronic cigarette products remained sluggish during the Period.

Health Care and Pharmaceutical Products

The Group improved its manufacturing plant in Shenyang during the Period and approval was granted for the sales and production of Chenlong Baoling Longevity Ginseng product. During the Period, the Group refined the new packaging of the ginseng products and is expected to resume sales and production in the second half of 2013.

Azithromycin Granules (II) (「阿奇霉素顆粒 (II)」) and Rosiglitazone Hydrochloride Capsules (「鹽酸沕格列酮膠囊」) remained as the Group's two key sales products during the Period. Trading of pharmaceutical products was stable during the Period. Turnover of pharmaceutical products for the Period was approximately HK$8,241,000, representing a slight decrease of 7.3% from approximately HK$8,891,000 as compared to the corresponding period last year.

Electronic Cigarettes and Intellectual Property

In the first half of 2013, the Group consolidated distribution of electronic cigarettes in the People's Republic of China (the "PRC") while international sales were minimal and orders for overseas markets like United Kingdom, France etc. were pending for lab test results of new products, resulting in a decrease in turnover of electronic cigarettes from approximately HK$864,000 in 2012 to approximately HK$714,000 in 2013 as compared with the corresponding period in the previous year.

Continued improvements in the atomization technology to deliver nicotine more efficiently and at a sustained level over the life of the atomizer. RUYAN emphasizes on the reliability of the design and manufacturing of its products. RUYAN provides an encased stainless steel and leak-resistant cartomizer that houses the atomizer. During the Period, Ruyan continued to develop and perform tests on several methods to ensure there were no leakage and droplets inhaled through the mouth — a common problem within the e-cigarette industry.

The last of the cases filed in 2011 for complaints of patent infringement of US Patent No. 7,832,410 has been closed during the Period. A division of U.S. Patent No. 8,156,944, the Group's patent for the "Aerosol Electronic Cigarette," has been issued by the United States Patent and Trademark Office as United States Patent No. 8,365,742, (the "'742 Patent"). United States Patent No. 8,375,957 (the "'957 Patent") for an "Electronic Cigarette" was also issued during the Period. In addition, a continuation of the '410 Patent (the patent for the "Aerosol Electronic Cigarette") has been successfully issued in the United States by the United States Patent and Trademark Office as United States Patent No. 8,393,331, (the "'331 Patent").

Trading of Securities

Securities trading and investments remain the principal business of the Group and as a treasury function, the Group invests its surplus cash in the Hong Kong securities market with an aim to capture future appreciation of share price. The net realized gain on change in fair value of FAFVPL amounted to approximately HK$5,517,000, (six months ended 30 June 2012: approximately HK$3,082,000). The net realized and unrealized losses incurred by securities trading increased to approximately

HK$30,503,000 for the Period (six months ended 30 June 2012: approximately HK$16,578,000). As the deposit rate offered by licensed banks in Hong Kong are minimal, the Group will continue to utilize the surplus cash for short term securities investments and 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 of China United Centre, 28 Marble Road, North Point, Hong Kong to a Chinese clinic and a western pharmacy, generating a monthly rent of HK$410,000. Attributable to such rental income, the Group recorded a segment turnover of HK$2,460,000 for the Period (six months ended 30 June 2012: HK$2,220,000).

Money Lending

During the Period, the Group utilized part of its surplus cash to provide short-term financing to certain individual borrowers. Interest income generated from money lending business amounted to approximately HK$1,077,000 for the Period (six months ended 30 June 2012: NIL).

LIQUIDITY, FINANCIAL ANALYSIS AND CAPITAL STRUCTURE

As at 30 June 2013, the Group maintained a secured bank borrowing of approximately HK$24,822,000 (31 December 2012: approximately HK$25,676,000). 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 8.27% as at 31 December 2012 to approximately 6.97% as at 30 June 2013. This calculation is based on net borrowings mentioned above and shareholders' funds of approximately HK$356,079,000 (31 December 2012: approximately HK$310,445,000). Cash and bank balances amounted to approximately HK$38,866,000 (31 December 2012: approximately HK$34,881,000) and total assets were approximately HK$438,200,000 (31 December 2012: approximately HK$394,990,000). Net current assets of the Group on the same date amounted to approximately HK$144,423,000 (31 December 2012: approximately HK$104,571,000). As at 30 June 2013, inventories amounted to approximately HK$8,209,000, representing a slight decrease of approximately HK$346,000 when compared with the amount as at 31 December 2012. The Group had no material capital commitment as at 30 June 2013.

In order to improve the financial position of the Group, the Company completed a rights issue on 7 February 2013 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 subscription price per rights share was approximately HK$0.961 and net proceeds of approximately HK$101.83 million were raised. The funds raised during the Period were used to strengthen the Group's financial position and provide working capital for its existing businesses.

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 in the PRC are mainly settled in Renminbi. However, securities trading and investments, money lending, property investment and all corporate activities such as rights issue are conducted in HKD. 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

On 14 August 2013, the Company (as guarantor) and four of its wholly-owned subsidiaries (as sellers) entered into an asset sale agreement (the "ASA") for the disposal (the "Disposal") of certain assets, including all intellectual property rights relating to the Group's electronic cigarette business at the consideration of US$75 million. The closing of the Disposal is subject to certain conditions precedent. Further details of the Disposal were disclosed in the announcement of the Company dated 21 August 2013.

The net proceeds of the Disposal will be used to provide working capital for the existing principal activities. The Board will utilize the net proceeds of the Disposal to fund research and development of novel technologies, principally in the areas of alternative pharmaceutical solutions and health care options. In addition, the Board will seek to identify suitable projects in the health care sector, and consider any new investment opportunities when opportunities arise. Following closing of the Disposal, the Group will continue to focus on its existing principal activities, including but not limited to the sales and production of health care and pharmaceutical products, money lending, securities and property investment.

DETAILS OF MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

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

PLEDGE OF ASSETS

At 30 June 2013, margin facilities of approximately HK$78,995,000 (31 December 2012: approximately HK$64,914,000) from regulated securities broker were granted to the Group which were secured by the Group's FAFVPL with the carrying amount of approximately HK$165,296,000 (31 December 2012: approximately HK$129,828,000).

At 30 June 2013, the Group pledged its investment property to secure its bank borrowing of approximately HK$24,822,000 (31 December 2012: approximately HK$25,676,000).

CONTINGENT LIABILITIES

As at 30 June 2013, 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 30 June 2013, the Group employed approximately 142 employees in the PRC and Hong Kong. Employee remuneration packages are determined with reference to their performance, experience, roles, 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 purchased, sold or redeemed any of the listed securities of the Company.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Board 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 all the Code during the Period, except the deviations from code provisions A.4.1.

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. 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company 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 enquiries of all directors of the Company, they all confirmed that they have complied with the required standards set out in the Model Code during the Period.

AUDIT COMMITTEE

Interim financial results for the Period have been reviewed by the audit committee of the Company. The audit committee is comprised of 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 INTERIM RESULTS AND INTERIM REPORT

This announcement was published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.dragonite.com.hk). The 2013 interim report will be published on the Stock Exchange's website and the Company's website and will be despatched to the Company shareholders 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
Wong Yin Sen
Chairman

Hong Kong, 28 August 2013

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

Executive Directors	*Independent Non-executive Directors*
Mr. Wong Yin Sen *(Chairman)*	Mr. Chung Yuk Lun
Mr. Gary Drew Douglas *(Managing Director)*	Mr. Liu Kwong Sang
Mr. Hon Lik	Mr. Lam Man Sum, Albert
Ms. Chan Mee Sze	Mr. Ho Tak Fun
Mr. Lam Suk Ping	