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 2013

The board of directors (the "Board") of Dragonite International Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013 (the "Year") together with the comparative figures for the corresponding year in 2012 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	NOTES	**2013**	**2012**
		HK$'000	*HK$'000*
			(restated)
Continuing operations			
Turnover			
Sales of goods	3	20,195	17,787
Cost of goods sold		(12,678)	(12,015)
		7,517	5,772
Dividend income	3	655	161
Rental income	3	4,920	4,680
Interest income from loans receivable	3	1,660	300
Change in fair value of financial assets at fair value through profit or loss	3	169,772	(11,104)
		184,524	(191)
Other income		3,754	1,493
Other gains and losses		(31,790)	7,115
Distribution costs		(1,830)	(1,247)
Administrative expenses		(25,326)	(27,007)
Other expenses		(6,715)	(13,858)
Finance costs		(853)	(1,255)
Profit (loss) before tax		121,764	(34,950)
Income tax expense	4	(1,147)	(2,299)
Profit (loss) for the year from continuing operations	5	120,617	(37,249)
Discontinued operation			
Profit (loss) for the year from discontinued operation		447,547	(28,831)
Profit (loss) for the year		568,164	(66,080)
Other comprehensive income for the year:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operation		4,281	1,169
Total comprehensive income (expense) for the year		572,445	(64,911)
Earnings (loss) per share			
From continuing and discontinued operations			
Basic and diluted	7	HK$2.78	HK$(0.64)
From continuing operations			
Basic and diluted	7	HK$0.59	HK$(0.36)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2013

	NOTES	**2013**	**2012**
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		29,499	27,652
Investment property		140,000	175,600
Deferred consideration		61,573	—
Prepaid lease payments		2,627	2,622
Deposits paid for acquisition of property, plant and equipment		3,339	—
		237,038	205,874
Current assets			
Inventories		4,889	8,555
Financial assets at fair value through profit or loss		599,317	129,828
Trade receivables	8	2,165	1,764
Loans receivable		90,474	—
Deposits, prepayments and other receivables		7,001	14,006
Deferred consideration		104,871	—
Prepaid lease payments		82	82
Bank balances and cash		37,614	34,881
		846,413	189,116
Current liabilities			
Trade payables	9	2,869	6,096
Accruals and other payables		33,911	34,397
Derivative financial instruments		19,220	17,332
Borrowings		—	25,676
Taxation payable		41,577	1,044
		97,577	84,545
Net current assets		748,836	104,571
NET ASSETS		985,874	310,445
Capital and reserves			
Share capital		2,120	1,060
Reserves		983,754	309,385
TOTAL EQUITY		985,874	310,445

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

	Share capital	Share premium account	Shareholders' contribution	Translation reserve	Share option reserve	Non-distributable reserves	Merger reserves	Special reserves	(Accumulated losses) retained earnings	Attributable to owners of the Company
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(note a)			*(note b)*	*(note d)*	*(note c)*		
At 1 January 2012	271,731	1,433,173	21,780	93,991	8,716	24,737	(1,016,738)	3,142	(604,680)	235,852
Loss for the year	—	—	—	—	—	—	—	—	(66,080)	(66,080)
Other comprehensive income for the year	—	—	—	1,169	—	—	—	—	—	1,169
Total comprehensive income (expense) for the year	—	—	—	1,169	—	—	—	—	(66,080)	(64,911)
First Capital Reorganisation (note e)	(266,296)	(1,433,173)	—	—	—	—	—	—	1,699,469	—
Issue of new shares upon placing	3,261	18,260	—	—	—	—	—	—	—	21,521
Issue of new shares upon exercise of share options	1,630	11,460	—	—	(1,678)	—	—	—	—	11,412
Issue of new shares upon rights issue	10,869	97,823	—	—	—	—	—	—	—	108,692
Second Capital Reorganisation (note f)	(20,135)	—	—	—	—	—	—	—	20,135	—
Transaction costs attributable to issue of shares	—	(3,799)	—	—	—	—	—	—	—	(3,799)
Recognition of equity-settled share-based payments	—	—	—	—	1,678	—	—	—	—	1,678
At 31 December 2012	1,060	123,744	21,780	95,160	8,716	24,737	(1,016,738)	3,142	1,048,844	310,445
Profit for the year	—	—	—	—	—	—	—	—	568,164	568,164
Other comprehensive income for the year	—	—	—	4,281	—	—	—	—	—	4,281
Total comprehensive income for the year	—	—	—	4,281	—	—	—	—	568,164	572,445
Issue of new shares upon rights issue	1,060	104,915	—	—	—	—	—	—	—	105,975
Transaction costs attributable to issue of shares	—	(2,991)	—	—	—	—	—	—	—	(2,991)
Transfer of translation reserve to retained earnings upon disposal of subsidiaries	—	—	—	(13,902)	—	—	—	—	13,902	—
Transfer upon lapse of share options	—	—	—	—	(8,716)	—	—	—	8,716	—
At 31 December 2013	2,120	225,668	21,780	85,539	—	24,737	(1,016,738)	3,142	1,639,626	985,874

Notes:

(a) Shareholders' contribution represents the amounts contributed by shareholders of Tre 29 Investment (Holdings) Limited (formerly known as "Ruyan Investment (Holdings) Limited) ("Tre 29") 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 ("PRC") under the PRC laws and regulations.

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

(d) The merger reserve represents (i) the share capital of Tre 29 (ii) the carrying amount of equity interest in Tre 29 held by the non-controlling parties and (iii) the fair value of the considerations paid for acquisition of Tre 29 during the year ended 31 December 2007.

(e) Pursuant to special resolution passed on 23 December 2011 and the approval by the court in the Cayman Islands on 9 March 2012, the entire amount standing to the credit of the share premium account of the Company upon the completion to First Capital Reorganisation on 19 March 2012 is cancelled and transferred to the accumulated losses of the Company.

(f) Pursuant to special resolution passed on 6 August 2012 and the approval by the court in the Cayman Islands on 26 October 2012, the credit arising from the reduction in share capital is transferred to accumulated losses of the Company upon the completion of Second Capital Reorganisation on 31 October 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) GENERAL INFORMATION

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

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

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

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

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 - 2011 cycle
Amendments to HKFRS 7	Disclosures — Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	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 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
Amendments to HKAS 1	Presentation of items of other comprehensive income
HK(IFRIC) - INT 20	Stripping costs in the production phase of a surface mine

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

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

Amendments to HKFRS 9 and HKFRS7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[1]
HKFRS 9	Financial instruments[3]
Amendments to HKAS 19	Defined benefit plans: Employees contributions[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[1]
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets[1]
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting[1]
Amendments to HKFRSs	Annual improvement to HKFRSs 2010-2012 cycle[4]
Amendments to HKFRSs	Annual improvement to HKFRSs 2011-2013 cycle[2]
HK(IFRIC) - INT 21	Levies[1]

[1] Effective for accounting periods beginning on or after 1 January 2014.
[2] Effective for accounting periods beginning on or after 1 July 2014.
[3] Available for application - the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
[4] Effective for accounting periods beginning on or after 1 July 2014, with limited exceptions.

(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) 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) property investment in Hong Kong

(e) money lending

During the Year, operation regarding atomizing cigarettes was discontinued due to the disposal of certain Group's assets. The segment information reported below does not include any amounts of the discontinued operation.

Segment turnover and results

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

For the year ended 31 December 2013

	Health care products	**Pharmaceutical products**	**Securities trading and investments**	**Property investment in Hong Kong**	**Money lending**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Continuing operations						
Segment turnover						
Sales of goods	762	19,433	—	—	—	20,195
Change in fair value of financial assets at fair value through profit or loss	—	—	169,772	—	—	169,772
Dividend income	—	—	655	—	—	655
Rental income	—	—	—	4,920	—	4,920
Interest income from loans receivable	—	—	—	—	1,660	1,660
	762	19,433	170,427	4,920	1,660	197,202
Segment (loss) profit	(2,553)	1,606	170,362	(32,223)	760	137,952
Other income						3,754
Change in fair value of derivative financial instruments						(1,888)
Unallocated corporate expenses						(24,132)
Gain on disposal of subsidiaries						6,078
Profit before taxation (continuing operations)						121,764

For the year ended 31 December 2012 (restated)

	Health care products	Pharmaceutical products	Securities trading and investments	Property investment in Hong Kong	Money lending	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Continuing operations						
Segment turnover						
Sales of goods	—	17,787	—	—	—	17,787
Change in fair value of financial assets at fair value through profit or loss	—	—	(11,104)	—	—	(11,104)
Dividend income	—	—	161	—	—	161
Rental income	—	—	—	4,680	—	4,680
Interest income from loans receivable	—	—	—	—	300	300
	—	17,787	(10,943)	4,680	300	11,824
Segment (loss) profit	(2,212)	395	(9,673)	33,174	(9,720)	11,964
Other income						211
Change in fair value of derivative financial instruments						(11,643)
Share-based payment expenses						(1,678)
Unallocated corporate expenses						(33,413)
Finance costs						(391)
Loss before taxation (continuing operations)						(34,950)

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

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

Segment assets and liabilities

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

As at 31 December 2013

	Health care products	Pharmaceutical products	Securities trading and investments	Property investment in Hong Kong	Money lending	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS						
Segment assets	26,164	16,391	601,320	141,141	90,474	875,490
Deferred consideration						166,444
Property, plant and equipment						2,052
Other receivables						1,851
Bank balances and cash						37,614
Consolidated total assets						1,083,451
LIABILITIES						
Segment liabilities	4,084	15,161	—	820	—	20,065
Derivative financial instruments						19,220
Other payables						16,715
Taxation payable						41,577
Consolidated total liabilities						97,577

As at 31 December 2012 (restated)

	Health care products	**Pharmaceutical products**	**Securities trading and investments**	**Property investment in Hong Kong**	**Money lending**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS						
Segment assets	26,743	14,965	134,483	176,054	—	352,245
Assets relating to discontinued operation						5,986
Other receivables						1,878
Bank balances and cash						34,881
Consolidated total assets						394,990
LIABILITIES						
Segment liabilities	8,039	11,471	—	26,500	—	46,010
Liabilities relating to discontinued operation						12,686
Derivative financial instruments						17,332
Other payables						7,473
Taxation payable						1,044
Consolidated total liabilities						84,545

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

- all assets are allocated to reportable and operating segments, other than certain property, plant and equipment, certain other receivables, deferred consideration and bank balances and cash.

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

Other segment information

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

For the year ended 31 December 2013

	Health care products	Pharmaceutical products	Securities trading and investments	Property investment in Hong Kong	Money lending	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Continuing operations							
Addition to property, plant and equipment	234	3,657	—	—	—	—	3,891
Depreciation of property, plant and equipment	2,054	395	—	17	—	292	2,758
Amortisation of prepaid lease payments	84	—	—	—	—	—	84
Change in fair value of investment property	—	—	—	35,600	—	—	35,600
Allowance for obsolescence inventory	—	2,461	—	—	—	—	2,461
Allowance for bad and doubtful debts	—	380	—	—	—	—	380
Finance costs	—	—	—	853	—	—	853

For the year ended 31 December 2012 (restated)

	Health care products	Pharmaceutical products	Securities trading and investments	Property investment in Hong Kong	Money lending	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Continuing operations							
Addition to property, plant and equipment	3,661	630	—	104	—	—	4,395
Depreciation of property, plant and equipment	1,764	723	—	2	—	292	2,781
Amortisation of prepaid lease payments	90	—	—	—	—	—	90
Change in fair value of investment property	—	—	—	(30,600)	—	—	(30,600)
Allowance for obsolescence inventory	830	1,009	—	—	—	—	1,839
Allowance for bad and doubtful debts	—	1,842	—	—	—	—	1,842
Impairment loss recognised in respect of loans receivable	—	—	—	—	10,000	—	10,000
Finance costs	—	—	—	864	—	391	1,255

Turnover from continuing operations on major products

	2013	2012
	HK$'000	*HK$'000*
Health care products	762	—
Pharmaceutical products	19,433	17,787
	20,195	17,787

Information about major customers

There is no single customer contributing over 10% of total sales from continuing operations of the Group for the year ended 31 December 2013 and 2012.

Geographical information

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

	Non-current assets	
	2013	2012
	HK$'000	*HK$'000*
PRC	35,465	30,274
Hong Kong	140,000	175,600
	175,465	205,874

(4) INCOME TAX EXPENSE

	2013	2012
	HK$'000	*HK$'000*
Continuing operations		
PRC Enterprise Income Tax	1,147	711
Underprovision in prior year	—	1,588
	1,147	2,299

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

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

	2013	2012
	HK$'000	*HK$'000*
		(restated)
Profit (loss) for the year from continuing operations has been arrived at after charging (crediting):		
Staff costs		
Directors' emoluments		
- fees and other emoluments	4,858	4,915
Other staff costs		
- salaries, allowances and bonus	5,678	5,583
- share-based payment expenses (note ii)	—	1,678
- retirement benefits scheme contributions	1,197	680
	11,733	12,856
Amortisation of prepaid lease payments	84	90
Cost of inventories recognised as an expense (note i)	12,678	12,015
Auditor's remuneration	1,700	1,650
Depreciation of property, plant and equipment	2,758	2,781
Operating lease rentals in respect of land and buildings	4,419	4,273
Research expenses (included in other expenses)	—	1,047
Interest income from bank balances (included in other income)	(50)	(9)
Effective interest income from deferred consideration (included in other income)	(3,625)	—
Gross rental income from investment property	(4,920)	(4,680)
Less: direct operating expenses from investment property that generate rental income for the year	313	309
	(4,607)	(4,371)
Legal and professional expenses (included in other expenses)	6,715	11,133

Notes:

(i) An allowance for obsolescence inventories of HK$2,461,000 (2012: HK$1,839,000) included in the cost of inventories recognised as an expense which representing certain slow-moving raw materials and finished goods regarding pharmaceutical products (2012: health care products and pharmaceutical products).

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

(6) DIVIDENDS

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

(7) EARNINGS (LOSS) PER SHARE

For continuing and discontinued operations

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

Earnings (loss)

	2013	**2012**
	HK$'000	*HK$'000*
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share (profit (loss) for the year attributable to owners of the Company)	568,164	(66,080)

Number of shares

	2013	**2012**
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	204,445	102,700

The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share has been adjusted for the rights issue on 7 February 2013.

The computation of diluted earnings per share for the year ended 31 December 2013 did not assume the exercise of the Company's outstanding share options during the year as the exercise price of those options was higher than the average market price for shares for that year.

The computation of diluted loss per share for the year ended 31 December 2012 does not assume the conversion of the Company's share options since their assumed conversion would result in a decrease in loss per share.

From continuing operations

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

	2013	2012
	HK$'000	*HK$'000*
Earnings (loss) are calculated as follows:		
Profit (loss) for the year attributable to the owners of the Company	568,164	(66,080)
Less: (profit) loss for the year from discontinuing operation	(447,547)	28,831
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share from continuing operations	120,617	(37,249)

The denominators used are the same as those detailed above for basic and diluted earnings (loss) per share.

From discontinued operation

Basic and diluted earnings (loss) per share from discontinued operation is HK$2.19 per share (2012: HK$0.28 per share), based on the profit for the year from discontinued operation of HK$447,547,000 (2012: loss of HK$28,831,000) and the denominators detailed above for basic and diluted earnings (loss) per share.

(8) TRADE RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	64,089	150,000
Less: Allowance for doubtful debts	(61,924)	(148,236)
	2,165	1,764

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

	2013	**2012**
	HK$'000	*HK$'000*
0 to 60 days	1,955	1,195
61 to 90 days	175	100
91 to 180 days	25	343
181 to 270 days	10	126
	2,165	1,764

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

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

The receivables with a carrying amount of HK$2,165,000 (2012: HK$1,764,000) 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.

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

(9) 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:

	2013	**2012**
	HK$'000	*HK$'000*
0 to 30 days	61	474
31 to 60 days	—	874
61 to 90 days	—	41
Over 90 days but less than 1 year	41	26
Over 1 year	2,767	4,681
	2,869	6,096

FINAL DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded an audited consolidated net profit of approximately HK$568,164,000 for the Year (2012: net loss of approximately HK$ 66,080,000). Turnover for the Year from continuing operations was approximately HK$184,524,000 (2012: negative amount approximately HK$191,000). The segment turnover for the Year from discontinuing operation was approximately HK$4,990,000 (2012: approximately HK$2,540,000). The net asset value of the Group increased from approximately HK$310,445,000 as at 31 December 2012 to approximately HK$985,874,000 as at 31 December 2013, representing a 217.57% increment.

Profit for the Year was mainly attributable by the followings:

1. The Group recorded net realized and unrealized gain of approximately HK$169,772,000 (2012: net loss of approximately HK$11,104,000) on change in fair value of financial assets at fair value through profit or loss ("FAFVPL").

2. Profit from the sale of assets in relation to the electronic cigarette business of the Group amounted to approximately HK$550,319,000.

Health Care Products

Approval was granted for the sales and production of Chenlong Baoling Longevity Ginseng product following the completion of improving the manufacturing plant in Shenyang during the Year. New products were launched in the fourth quarter of the Year with recorded sales of approximately HK$762,000.

Pharmaceutical Products

Two key products, Azithromycin Granules (II) (「阿奇黴素顆粒 (II)」) and Rosiglitazone Hydrochloride Capsules (「鹽酸沕格列酮膠囊」), contributed to the majority of sales in this segment during the Year. The performance of trading of pharmaceutical products for the Year was stable. Turnover of pharmaceutical products for the Year was approximately HK$19,433,000, representing an increase of 9.25% from approximately HK$17,787,000 as compared to the previous year.

Electronic Cigarettes and Intellectual Property

In the first half of 2013, the Group consolidated the distribution of electronic cigarettes in the People's Republic of China (the "PRC") while international sales were minimal. As the result of the package sale of certain assets related to electronic cigarettes, an increase in turnover of electronic cigarettes from approximately HK$2,540,000 in 2012 to approximately HK$4,990,000 in 2013 was recorded.

On 23 October 2013 ("Closing Date"), the Company completed the disposal of certain assets, including but not limited to the intellectual property rights in connection with the electronic cigarette business of the Group (the "Assets Disposal"), at a total consideration of US$75 million (approximately HK$581,250,000). The initial purchase price of US$50 million (approximately HK$387,500,000) has been received upon completion and the deferred purchase price of US$15 million (approximately HK$116,250,000) and US$10 million (approximately HK$77,500,000) will be received on the first and second anniversary of the Closing Date respectively.

Having considered the resources available to the Group as well as the scale and strength of other market-leading international companies with focus in electronic vapor products, the Board believes that the Assets Disposal is a reasonable strategic decision for the Group.

Trading of Securities

As a treasury function, the Group continues to invest its surplus cash in the Hong Kong securities market with an aim to capture future appreciation of share price. Securities trading and investment will remain one of the principal businesses of the Group. The net realized and unrealized gain in securities trading substantially increased to approximately HK$169,772,000 for the Year. (2012: net loss on the change in fair value of FAFVPL approximately HK$11,104,000). The net realized gain from the securities trading during the Year amounted to approximately HK$21,394,000 (2012: approximately HK$262,000).

Property Investment

The Company owns the premises situated at the Basement of China United Centre, located at 28 Marble Road, North Point, Hong Kong. During the Year, the said property has been fully leased to a Chinese medicine clinic and a Western pharmacy to generate a monthly rent of HK$410,000. Attributable to such rental income, the Group recorded a segment turnover of HK$4,920,000 for the Year (2012: HK$4,680,000).

Money Lending Business

During the Year, the Group utilized part of its surplus cash to provide short-term financing to individual borrowers through a wholly-owned subsidiary. During the Year, interest income generated from money lending business amounted to approximately HK$1,660,000 (2012: approximately HK$300,000).

LIQUIDITY, FINANCIAL ANALYSIS AND CAPITAL STRUCTURE

As at 31 December 2013, the Group fully repaid its secured bank borrowings (31 December 2012: approximately HK$25,676,000). Such borrowings were denominated in HK$, and thus, there was no exposure to fluctuations in exchange rate. The gearing ratio of the Group decreased from approximately 8.27% as at 31 December 2012 to zero as at 31 December 2013. This calculation is based on net borrowings mentioned above and shareholders' funds of approximately HK$985,874,000 (31 December 2012: approximately HK$310,445,000). Cash and bank balances amounted to approximately HK$37,614,000 (31 December 2012: approximately HK$34,881,000) and total assets were approximately HK$1,083,451,000 (31 December 2012: HK$394,990,000). Net current assets of the Group on the same date amounted to approximately HK$748,836,000 (31 December 2012: approximately HK$104,571,000). As at 31 December 2013, inventories amounted to approximately HK$4,889,000, representing a decrease of approximately HK$3,666,000 when compared with the amount as at 31 December 2012. The Group had no material capital commitment as at 31 December 2013.

On 7 February 2013, the Company completed a rights issue at a subscription price of HK$1.00 per rights share on the basis of one rights share for every share held. Net subscription price per rights share was approximately HK$0.96. 105,974,992 rights shares were issued, which raised a net proceed of approximately HK$102 million.

As at 31 December 2013, the issued share capital of the Company was 211,949,984 shares of HK$0.01 each.

FOREIGN EXCHANGE RISKS

The Group's operations conducted in the PRC are mainly settled in Renminbi. However, securities trading and investments, money lending, property investment and all corporate activities such as rights issue are conducted in HKD. Therefore, the Group is only exposed to fluctuations in foreign exchange rates 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 2014 AND DEVELOPMENT PLAN

Following the aforesaid Assets Disposal, the Group has switched its focus on electronic cigarette business to other principal businesses such as money lending, securities trading and investment while sale and production of health care and pharmaceutical products remain as the core businesses of the Group. The Group intends to identify suitable projects and new investment opportunities in other sectors.

In the first quarter of 2014, the Company acquired a Western pharmacy in North Point situated in a property owned by the Group. The pharmacy store provides pharmaceutical products and a variety of skincare, healthcare, wine and grocery products. The wide range of products available helps to create enhanced product mix for the pharmacy, and to explore new product lines to broaden the income stream of the Group. The Group will continue to explore the opportunities in developing retail business in other sectors.

DETAILS OF MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

On 23 December 2013, the Group disposed certain wholly-owned subsidiaries to an independent third party at a consideration of HK$10,000 to streamline the corporate structure of the Group by selling these dormant companies.

PLEDGE OF ASSETS

At 31 December 2013, margin facilities of approximately HK$280,964,000 (31 December 2012: approximately HK$64,914,000) from regulated securities brokers were granted to the Group. These were secured by the Group's FAFVPL with the carrying amount of approximately HK$599,317,000 (31 December 2012: approximately HK$129,828,000).

At 31 December 2013, the Group did not pledge its investment property as its bank borrowing has been fully repaid (31 December 2012: approximately HK$ 25,676,000).

CONTINGENT LIABILITIES

As at 31 December 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 31 December 2013, the Group employed approximately 112 employees in the PRC and Hong Kong. The remuneration package of the employees is determined with reference to their performance, experience and their positions, duties and responsibilities in the Group.

EVENTS AFTER THE REPORTING PERIOD

On 9 January 2014, the Group acquired from an independent third party the entire interest of King Delight Holdings Limited which holds 100% equity interest of Rainbow Pharmacy Company Limited ("Rainbow Pharmacy"), a limited company incorporated in Hong Kong, at a cash consideration of HK$800,000. Rainbow Pharmacy is principally engaged in operation of a western pharmacy in Hong Kong.

On 21 January 2014, the Group entered into a conditional agreement to sell the entire issued share capital of and the shareholder's loan to Central Town Limited and its subsidiaries (the "Central Town Group") at the consideration of HK$140 million. The principal asset of Central Town Group is the investment property situated at the Basement, China United Centre, 28 Marble Road, North Point, Hong Kong. The transaction will be completed on or before 24 July 2014. Upon the execution of such conditional agreement, HK$14 million has been received on 21 January 2014 as initial deposit and the balanced sum of HK$126 million shall be received in full on the completion date.

DISCLOSURE OF OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Board has adopted the code provisions set out in the Corporate Governance Code (the "Code") 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 Year, except the deviations from code provisions A.4.1 and A.6.7 of the Code.

Code provision of A.4.1 of the Code stipulates that non-executive directors shall be appointed for a specific term and be subject to re-election. The Non-Executive Director and 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 Non-Executive Director and Independent Non-Executive Directors are subject to retirement by rotation at the annual general meeting of the Company in accordance with the articles of association of the Company. The Board therefore considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those of the Code.

Under the code provision of A.6.7 of the Code, all non-executive directors and independent non-executive directors should attend general meetings of the Company and develop a balanced understanding of shareholders' view. Mr. Lam Man Sum, Albert was unable to attend the Company's extraordinary general meeting held on 3 January 2013 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 Listing Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiry of all Directors of the Company, they all confirmed that they have complied with the required standard set out in the Model Code during the Year.

AUDIT COMMITTEE

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

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This announcement is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.dragonite.com.hk. The 2013 annual report will also be published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.dragonite.com.hk and will be despatched to the shareholders of the Company in due course.

APPRECIATION

The Board would like to express our gratitude and sincere appreciation to 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, 20 March 2014

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

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

Non-Executive Director
Mr. Hon Lik

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