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 2015

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 2015 (the “Year”) together with the comparative figures for the corresponding year in 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	NOTES	**2015** *HK$'000*	**2014** *HK$'000*
Continuing operations			
Turnover			
Sales of goods	3	24,375	33,272
Cost of goods sold		(22,381)	(21,736)
		1,994	11,536
Dividend income	3	—	711
Interest income from loans receivable	3	7,596	7,528
Change in fair value of financial assets at fair value through profit or loss	3	28,038	451,999
		37,628	471,774
Other income		8,459	19,967
Other gains and losses		29,120	6,649
Selling and distribution costs		(8,152)	(23,894)
Administrative expenses		(23,028)	(71,510)
Other expenses		(6,197)	(24,627)
Finance costs		(102)	—
Profit before tax		37,728	378,359
Income tax expense	4	(4,359)	(51,963)
Profit for the year from continuing operations	5	33,369	326,396
Discontinued operation			
Loss for the year from discontinued operation		—	(4,731)
Profit for the year		33,369	321,665
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale investments:			
- fair value change		35,666	—
Exchange differences arising on translation of foreign operation		(1,710)	(8,069)
		33,956	(8,069)
Total comprehensive income for the year		67,325	313,596
Earnings per share	7		
From continuing and discontinued operations			
- Basic		HK$0.03	HK$0.30
From continuing operations			
- Basic		HK$0.03	HK$0.31

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2015

	NOTES	**2015**	**2014**
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		24,541	29,598
Available-for-sale investments		560,585	294,250
Prepaid lease payments		2,307	2,526
		587,433	326,374
Current assets			
Inventories		16,266	21,019
Financial assets at fair value through profit or loss		—	266,528
Trade receivables	8	1,790	2,359
Loans receivable		142,714	137,497
Deposits, prepayments and other receivables		2,296	4,527
Deferred consideration		—	69,849
Prepaid lease payments		82	82
Bank balances and cash		180,342	83,697
		343,490	585,558
Current liabilities			
Trade payables	9	949	1,305
Accruals and other payables		29,969	36,684
Taxation payable		98	36,638
Borrowing - due within one year		10,000	—
		41,016	74,627
Net current assets		302,474	510,931
Total assets less current liabilities		889,907	837,305
Non-current liability			
Deferred tax liability		—	14,723
NET ASSETS		889,907	822,582
Capital and reserves			
Share capital		10,598	10,598
Reserves		879,309	811,984
TOTAL EQUITY		889,907	822,582

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital	Share premium account	Shareholders' contribution	Translation reserve	Non-distributable reserve	Merger reserves	Special reserve	Investment revaluation reserves	Retained earnings	Attributable to owners of the Company
	HK$'000	*HK$'000*	*HK$'000 (note a)*	*HK$'000*	*HK$'000 (note b)*	*HK$'000 (note d)*	*HK$'000 (note c)*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2014	2,120	225,668	21,780	85,539	24,737	(1,016,738)	3,142	—	1,639,626	985,874
Profit for the year	—	—	—	—	—	—	—	—	321,665	321,665
Other comprehensive expense for the year	—	—	—	(8,069)	—	—	—	—	—	(8,069)
Total comprehensive (expense) income for the year	—	—	—	(8,069)	—	—	—	—	321,665	313,596
Issue of new shares upon bonus issue	8,478	(8,478)	—	—	—	—	—	—	—	—
Transfer of reserves to retained earnings upon disposal of subsidiaries	—	—	(21,780)	(16,417)	—	1,016,738	—	—	(978,541)	—
Dividends paid (note 6)	—	—	—	—	—	—	—	—	(476,888)	(476,888)
At 31 December 2014	10,598	217,190	—	61,053	24,737	—	3,142	—	505,862	822,582
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 for the year	—	—	—	(1,710)	—	—	—	35,666	33,369	67,325
At 31 December 2015	10,598	217,190	—	59,343	24,737	—	3,142	35,666	539,231	889,907

Notes:

(a) Shareholders' contribution represented 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. The shareholder's contribution was transferred to retained earnings upon disposal of Tre 29 during the year ended 31 December 2014.

(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 a group reorganisation that was effected in during the year ended 31 December 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 under the group reorganisation that was effected during the year ended 31 December 2007. The merger reserve is transferred to retained earnings upon the disposal of Tre 29 during the year ended 31 December 2014.

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 disclosed in the introduction to the annual report.

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

The functional currency of the Company is Hong Kong dollars ("HK$").

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

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

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[2]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[2]
Amendments to HKAS 1	Disclosure initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[2]

Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[2]
Amendments to HKAS 27	Equity method in separate financial statements[2]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2018

[2] Effective for annual periods beginning on or after 1 January 2016

[3] Effective for annual periods beginning on or after a date to be determined

(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 in its continuing operations under HKFRS 8 are therefore as follows:

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

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

(c) securities trading and investments

(d) money lending

(e) trading of wine

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 2015

	Health care products	Pharmaceutical products	Securities trading and investments	Money lending	Trading of wine	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Continuing operations						
Segment turnover						
Sales of goods	2,560	20,178	—	—	1,637	24,375
Change in fair value of financial assets at fair value through profit or loss	—	—	28,038	—	—	28,038
Interest income from loans receivable	—	—	—	7,596	—	7,596
	2,560	20,178	28,038	7,596	1,637	60,009
Segment (loss) profit	(22,041)	2,331	46,302	7,320	592	34,504
Other income						8,459
Unallocated corporate and other expenses						(16,471)
Gain on disposal of subsidiaries						11,338
Finance costs						(102)
Profit before taxation (continuing operations)						37,728

For the year ended 31 December 2014

	Health care products	Pharmaceutical products	Securities trading and investments	Money lending	Trading of wine	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Continuing operations						
Segment turnover						
Sales of goods	2,716	20,296	—	—	10,260	33,272
Change in fair value of financial assets at fair value through profit or loss	—	—	451,999	—	—	451,999
Dividend income	—	—	711	—	—	711
Interest income from loans receivable	—	—	—	7,528	—	7,528
	2,716	20,296	452,710	7,528	10,260	493,510
Segment (loss) profit	(15,481)	2,136	452,581	6,904	1,470	447,610
Other income						19,967
Change in fair value of derivative financial instruments						19,220
Unallocated corporate and other expenses						(98,048)
Loss on disposal of subsidiaries						(10,390)
Profit before taxation (continuing operations)						378,359

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

Segment (loss) profit represents the loss from/profit earned by each segment without allocation of other income, change in fair value of derivative financial instruments, gain (loss) on disposal of subsidiaries, finance costs 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.

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 2015

	Health care products	**Pharmaceutical products**	**Securities trading and investments**	**Money lending**	**Trading of wine**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS						
Segment assets	33,294	10,241	560,585	142,714	1,659	748,493
Property, plant and equipment						1,254
Other receivables						834
Bank balances and cash						180,342
Consolidated total assets						930,923
LIABILITIES						
Segment liabilities	22,737	4,909	—	—	711	28,357
Other payables						2,561
Taxation payable						98
Borrowing						10,000
Consolidated total liabilities						41,016

As at 31 December 2014

	Health care products	Pharmaceutical products	Securities trading and investments	Money lending	Trading of wine	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS						
Segment assets	41,801	15,052	560,778	137,497	205	755,333
Deferred consideration						69,849
Property, plant and equipment						1,375
Other receivables						1,678
Bank balances and cash						83,697
Consolidated total assets						911,932
LIABILITIES						
Segment liabilities	18,902	14,474	—	316	—	33,692
Other payables						4,297
Taxation payable						36,638
Deferred tax liability						14,723
Consolidated total liabilities						89,350

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, taxation payable, deferred tax liability and borrowing.

Other segment information

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

For the year ended 31 December 2015

	Health care products	Pharmaceutical products	Securities trading and investments	Money lending	Trading of wine	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Continuing operations							
Addition to property, plant and equipment	—	199	—	—	—	193	392
Depreciation of property, plant and equipment	2,075	1,578	—	—	—	315	3,968
Amortisation of prepaid lease payments	83	—	—	—	—	—	83
Written down on inventories	8,632	—	—	—	—	—	8,632
Allowance for bad and doubtful debts	2,443	—	—	—	—	—	2,443
Impairment losses in respect of other receivables	—	366	—	—	—	—	366
Loss on disposal of property, plant and equipment	78	—	—	—	—	—	78
Advertising expenses	5,000	229	—	—	—	—	5,229
Gain on disposal of available-for-sale investment	—	—	(20,669)	—	—	—	(20,669)

For the year ended 31 December 2014

	Health care products	Pharmaceutical products	Securities trading and investments	Money lending	Trading of wine	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Continuing operations							
Addition to property, plant and equipment	127	4,013	—	—	—	1,656	5,796
Depreciation of property, plant and equipment	2,111	1,089	—	—	—	179	3,379
Amortisation of prepaid lease payments	85	—	—	—	—	—	85
Allowance for obsolescence inventory	12	—	—	—	—	—	12
Allowance for bad and doubtful debts	773	1,039	—	—	—	—	1,812
Loss on disposal of property, plant and equipment	104	5	—	—	—	260	369
Advertising expenses	9,460	171	—	—	—	11,334	20,965

Turnover from continuing operations on major products

	2015 *HK$'000*	2014 *HK$'000*
Health care products	2,560	2,716
Pharmaceutical products	20,178	20,296
Wine products	1,637	10,260
	24,375	33,272

Information about major customer

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

	2015 *HK$'000*	2014 *HK$'000*
Customer A[1]	7,535	N/A[2]

1 Revenue from pharmaceutical products

2 The corresponding revenue did not contribute over 10% of the total revenue of the Group.

Geographical information

The Group's revenue from continuing operations by location of operations and its non-current assets by geographical location of the assets (excluding financial assets) are detailed below:

	Revenue		Non-current assets	
	2015 *HK$'000*	2014 *HK$'000*	2015 *HK$'000*	2014 *HK$'000*
PRC	21,921	21,642	25,594	30,749
Hong Kong	38,088	471,868	1,254	1,375
	60,009	493,510	26,848	32,124

(4) INCOME TAX EXPENSE

	2015 *HK$'000*	2014 *HK$'000*
Continuing operations		
Hong Kong Profits Tax	18,492	36,491
PRC Enterprise Income Tax	590	749
Deferred tax (credit) charged	(14,723)	14,723
	4,359	51,963

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits 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 FOR THE YEAR FROM CONTINUING OPERATIONS

	2015	2014
	HK$'000	*HK$'000*
Profit for the year from continuing operations has been arrived at after charging (crediting):		
Staff costs		
Directors' emoluments		
- fees and other emoluments	3,855	24,119
Other staff costs		
- salaries, allowances and bonus	8,766	12,424
- retirement benefits scheme contributions	1,561	1,571
	14,182	38,114
Amortisation of prepaid lease payments	83	85
Cost of inventories recognised as an expense (Note a)	22,381	21,736
Auditor's remuneration	1,855	1,750
Depreciation of property, plant and equipment	3,968	3,379
Operating lease rentals in respect of land and buildings	2,688	10,563
Advertising expenses (included in selling and distribution costs) (Note b)	5,229	20,965
Interest income from bank balances (included in other income)	(224)	(225)
Imputed interest income from deferred consideration (included in other income)	(7,651)	(19,655)
Legal and professional expenses (included in other expenses)	6,197	8,505
Travelling expenses (included in other expenses)	—	8,736
Entertainment expenses (included in other expenses)	—	6,846
Donation	—	10,880

Notes:

(a) An allowance for obsolescence of inventories of HK$8,632,000 (2014: HK$12,000) is included in the cost of inventories recognised as an expenses, which represents certain slow-moving finished goods regarding health care products in both years.

(b) Amount represented the advertising expenses on development and promoting the health care products.

(6) DIVIDENDS

	2015	2014
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2014 Interim - HK$2.25 per share (before the adjustment on number of shares outstanding upon bonus issue)	—	476,888

On 7 August 2014, the directors of the Company declared an interim dividend in respect of the year ended 31 December 2014 of HK$2.25 per share (before the adjustment on number of shares outstanding upon bonus issue). The interim dividend was paid to the shareholders on 1 September 2014.

No final dividend was paid or proposed during the year ended 31 December 2015 and 2014, nor has any dividend been proposed since the end of the reporting period.

(7) EARNINGS PER SHARE

For continuing and discontinued operations

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

Earnings

	2015	2014
	HK$'000	*HK$'000*
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	33,369	321,665

Number of shares

	2015	2014
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,059,750	1,059,750

For the year ended 31 December 2014, the weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the bonus issue on 17 September 2014.

No diluted earnings per share information has been presented as there were no potential ordinary shares outstanding for the years ended 31 December 2015 and 2014.

From continuing operations

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

	2015	2014
	HK$'000	*HK$'000*
Earnings are calculated as follows:		
Profit for the year attributable to the owners of the Company	33,369	321,665
Less: loss for the year from discontinued operation	—	4,731
Earnings for the purposes of basic earnings per share from continuing operations	33,369	326,396

The denominators used are the same as those detailed above for basic earnings per share.

From discontinued operation

During the year ended 31 December 2014, basic loss per share from discontinued operation earnings per share of HK$0.01 per share, based on the loss for the year from discontinued operation of HK$4,731,000 and the denominators detailed above for basic earnings per share.

(8) TRADE RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	27,013	26,485
Less: Allowance for doubtful debts	(25,223)	(24,126)
	1,790	2,359

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:

	2015	2014
	HK$'000	*HK$'000*
0 to 60 days	1,302	2,071
61 to 90 days	24	103
91 to 180 days	273	147
181 to 270 days	191	38
	1,790	2,359

The receivables with a carrying amount of HK$1,790,000 (2014: HK$2,359,000) 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.

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

	2015	**2014**
	HK$'000	*HK$'000*
0 to 30 days	711	—
31 to 60 days	—	—
61 to 90 days	—	—
Over 90 days but less than 1 year	—	—
Over 1 year	238	1,305
	949	1,305

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded an audited consolidated net profit of approximately HK$33,369,000 for the Year (2014: approximately HK$321,665,000). Turnover for the Year was approximately HK$60,009,000 (2014: approximately HK$493,510,000) which was mainly attributable to net realized gain on change in fair value of financial assets at fair value through profit or loss ("FAFVPL") of approximately HK$28,038,000 (2014: net realized and unrealized gain of approximately HK$451,999,000) and the sales of pharmaceutical products of approximately HK$20,178,000 (2014: approximately HK$20,296,000).

Due to the diminished financial resources allocated to securities trading and investments of listed securities, the Group recorded a decrease in both the consolidated net profit and turnover for the Year. However, the net asset value of the Group increased from approximately HK$822,582,000 as at 31 December 2014 to approximately HK$889,907,000 as at 31 December 2015, representing a 8.18% increase.

Health Care and Pharmaceutical Products

Turnover for Chenlong Baoling Longevity Ginseng products for the Year amounted to approximately HK$2,560,000 (2014: approximately HK$2,716,000), which was stable but not in line with the Group's expectation as the overall business environment in mainland China remains challenging, and the slowdown of domestic consumption sentiment has negatively affected the consumption of premium ginseng goods.

The majority of the sales of pharmaceutical products during the Year were generated from two key products, Azithromycin Granules (II) (「阿奇黴素顆粒 (II)」) and Rosiglitazone Hydrochloride Capsules (「鹽酸吻格列酮膠囊」). The sales performance of pharmaceutical products for the Year remained stable with turnover amounting to approximately HK$20,178,000 (2014: approximately HK$20,296,000). The segment profit of pharmaceutical products amounted to approximately HK$2,331,000 for the Year (2014: approximately HK$2,136,000), representing a slight increase of approximately 9.13%.

Securities Trading and Investments

The Group continued to invest its surplus cash in Hong Kong securities market with an aim to capture future appreciation of share price and as a treasury function in the first half year of 2015. As the local market has dragged lower by the Chinese equity market since the middle of the Year and the concern over the devaluation of Renminbi has driven the currency under downward pressure. During the Year, the Group disposed of all listed securities in its investment portfolio in order to take a more cautious approach in securities trading and investments. The net realized gain on change in fair value of FAFVPL during the Year amounted to approximately HK$28,038,000 (2014: approximately HK$360,999,000).

Available-for-sale investments

In July 2015, the Group swapped its interests in an available-for-sale (the "AFS") investment in exchange for the equity interest of a company incorporated in the British Virgin Islands ("BVI") carrying out principal activity of securities investment in Hong Kong. As a result, a gain of approximately HK$20,669,000 on disposal of the AFS investment recorded for the Year and the fair value of such BVI company amounting to approximately HK$216,700,000 as at 31 December 2015 remained recorded as an available-for-sale investment (31 December 2014: HK$156,750,000).

In September 2015, the Group transferred its equity interests in an investee (the "Investee") in exchange for the new shares of a company incorporated in Republic of Marshall Islands (the "AFS Company") which was set up with other ten shareholders for the purpose of investing in the Investee. Immediately upon completion, the Group held direct equity interests in the AFS Company and its underlying effective interests in the Investee remained the same. As at 31 December 2015, the carrying amount of the AFS Company amounted to HK$137,500,000 (31 December 2014: HK$137,500,000).

In November 2015, the Group entered into a sale and purchase agreement with an independent third party to acquire approximately 6.09% equity interests in a company incorporated in Republic of Marshall Islands at a cash consideration of HK$180,000,000. Such entity is principally engaged in investment in private equities and money lending business in Hong Kong. As at 31 December 2015, the carrying amount of such available-for-sale investment amounted to HK$180,000,000 (31 December 2014: Nil).

During the Year, the Group subscribed two unit trust funds at the total cost of HK$30,000,000. As at 31 December 2015, these funds had a carrying value of approximately HK$26,385,000 (31 December 2014: Nil).

Money Lending Business

The Group continues to utilize part of its surplus cash to provide short-term financing to individual and corporate borrowers. During the Year, interest income generated from money lending business amounted to approximately HK$7,596,000 (2014: approximately HK$7,528,000). Loans receivable increased from approximately HK$137,497,000 as at 31 December 2014 to approximately HK$142,714,000 as at 31 December 2015.

Wine Trading

The cessation of "Rainbow" store since September 2015 has retarded the retail sales of wine products. Driven by the slowdown of domestic consumption and the increasing competition in China, sales performance of wine trading was weak with a turnover amounting to approximately HK$1,637,000 recorded for the Year (2014: approximately HK$10,260,000). Profit attributable to this business segment amounted to approximately HK$592,000 (2014: approximately HK$1,470,000).

LIQUIDITY, FINANCIAL ANALYSIS AND CAPITAL STRUCTURE

As at 31 December 2015, the Group had a secured short-term borrowing of HK$10,000,000 (31 December 2014: Nil) which carries interest at floating rate with a maturity due within one year. Such borrowing was denominated in Hong Kong dollar, and thus, there was no exposure to fluctuations in exchange rate. Gearing ratio of the Group as at 31 December 2015 is approximately 1.12% (31 December 2014: Nil). This calculation is based on net borrowing mentioned above and shareholders' funds of approximately HK$889,907,000 (31 December 2014: approximately HK$822,582,000). Bank balances and cash amounted to approximately HK$180,342,000 (31 December 2014: approximately HK$83,697,000) and total assets were approximately HK$930,923,000 (31 December 2014: approximately HK$911,932,000). Net current assets of the Group on the same date amounted to approximately HK$302,474,000 (31 December 2014: approximately HK$510,931,000). As at 31 December 2015, inventories amounted to approximately HK$16,266,000, representing a decrease of approximately HK$4,753,000 when compared with the amount as at 31 December 2014. The Group had no material capital commitment as at 31 December 2015.

As at 31 December 2015, the issued share capital of the Company was 1,059,749,920 shares of HK$0.01 each.

FOREIGN EXCHANGE RISKS

The Group's operations conducted in the PRC are mainly settled in Renminbi while wine trading billings are mainly settled in Euro. However, securities trading and investments, and money lending are conducted in Hong Kong. Therefore, the Group is exposed to fluctuations in foreign exchange rate to a certain extent. Currently, the Group has no formal hedging policies in place. The Group has not entered into any foreign currency exchange contracts or derivatives to hedge against the Group's currency risks.

PROSPECTS FOR THE YEAR 2016 AND DEVELOPMENT PLAN

The Group is confident to maintain the present market share of its pharmaceutical products in the PRC for Year 2016 despite the competition from imported and domestic goods and the Group will continue to exercise efficient control over production costs and quality. Although the Group had allocated more resources on marketing promotion of ginseng products in the PRC during the Year, the sales performance of Chenlong Baoling Longevity Ginseng products remained weak. The Group will attempt to explore more sales channels in future in order to improve the sales performance.

During the Year, the Group had attempted to switch its focus from investing in local securities market to other available-for-sale investments and treasury products such as unit trust funds for both the treasury function and for appreciation of future value. In future, the Group will strive to explore and appraise other long term investments in both overseas and local markets.

Apart from the existing core businesses, the Group intends to identify new investment opportunities and principal business, particularly in property investments. Moreover, the Group will continue to explore and appraise the opportunities in wine investments and/or chateau investments as strategic developments of the Group. The Board will continue to explore new projects so as to diversify the business of the Group and to achieve better return in future. In addition, the Group will continue to appraise both long term and short term investments in the capital market if and when opportunities arise.

DISPOSAL OF SUBSIDIARIES

During the Year, the Group disposed of the entire issued share capital of Imagine Sky Limited, an investment holding company incorporated in the British Virgin Islands with limited liability, and its subsidiary for the consideration of HK$1,000,000 to an independent third party.

In October 2015, the Group also disposed of the entire issued share capital of New Truth Limited, an investment holding company incorporated in the British Virgin Islands with limited liability, and its dormant subsidiaries for the consideration of HK$10,000 to an independent third party to streamline the corporate structure.

DIVIDEND

The Board does not recommend any dividend payment for the Year (2014: interim dividend of approximately HK$476,888,000).

PLEDGE OF ASSETS

At 31 December 2015, no margin facilities (31 December 2014: approximately HK$121,810,000) from regulated securities brokers were granted to the Group (31 December 2014: secured by the Group's FAFVPL at carrying value approximately HK$266,528,000).

At 31 December 2015, the short-term borrowing of HK$10,000,000 (31 December 2014: Nil) was secured by the unlisted investments funds included in available-for-sale investments with the carrying amount of approximately HK$26,385,000 (31 December 2014: Nil). In addition, a corporate guarantee limited to HK$15,000,000 was made by the Group.

CONTINGENT LIABILITIES

As at 31 December 2015, the Group was subject to a claim of approximately HK$9.4 million from an external consultant pursuant to a so-called consulting agreement alleged by him and the outstanding retainer fee and expenses in relation to the disposal of electronic cigarette business taken place during the year ended 31 December 2013. The Group received a writ on 31 March 2015 and a statement of claim on 19 May 2015 from such consultant claiming for a sale transaction fee and the outstanding retainer fee and outstanding expenses disbursement in an aggregate amount equivalent to approximately HK$9.4 million (the "Claim"). The Company has filed a summons for striking-out of the Claim and the application was heard on 27 November 2015 but failed. The Company has filed an appeal for the said striking-out application which has been fixed to be heard on 5 May 2016. Having obtained and considered the legal advice, the Board believes that the Group shall have a good case to appeal.

EMPLOYEE POLICY

As at 31 December 2015, the Group employed approximately 79 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.

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. Save as the appointments of Mr. Chang Tat Joel and Mr. Wong Stacey Martin, Mr. Lam Man Sum, Albert, an Independent Non-Executive Director of the Company is not appointed for a specific term of office, which constitutes a deviation from A.4.1 of the Code. However, all Independent Non-Executive Directors are subject to retirement by rotation at the annual general meeting of the Company in accordance with the articles of association of the Company. The Board therefore considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those of the Code.

Under the code provision of A.6.7 of the Code, all non-executive directors and independent non-executive directors should attend general meetings of the Company and develop a balanced understanding of shareholders' view. Mr. Chang Tat Joel, Mr. Wong Stacey Martin and Mr. Lam Man Sum, Albert, the Independent Non-Executive Directors of the Company were unable to attend the Company's annual general meeting held on 27 May 2015 due to other business engagements.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The annual financial results for the Year have been reviewed by the audit committee of the Company. The audit committee comprises three Independent Non-Executive Directors of the Company, namely Mr. Chang Tat Joel, Mr. Lam Man Sum, Albert and Mr. Wong Stacey Martin.

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 2015 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, 24 March 2016

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

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

Independent Non-executive Directors
Mr. Lam Man Sum, Albert
Mr. Chang Tat Joel
Mr. Wong Stacey Martin