Regulatory Story

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Cathay International Holdings Ld - CTI Interim Results
Released 09:47 31-Aug-2018

RNS Number : 3947Z
Cathay International Holdings Ld
31 August 2018

Cathay International Holdings Limited

("Cathay", the "Company" or together with its subsidiaries, the "Group")

Interim Results for the Six Months Ended 30 June 2018

Hong Kong, 31 August 2018 - Cathay International Holdings Limited (LSE: CTI.L), an operator and investor in the growing healthcare sector in the People's Republic of China (the "PRC"), today announces its Interim Results for the six months ended 30 June 2018.

Group Financial Highlights

- Revenue decreased to USD49.2 million (H1 2017: USD62.0 million) as expected due to recent medical regulation changes in China resulting in a fall in sales in some product lines
- Gross profit decreased to USD20.6 million (H1 2017: USD29.2 million)
- Group's operating profit decreased by USD3.8 million to USD1.1 million (H1 2017: USD4.9 million); a smaller decrease compared to the reduction in gross profit as a result of the reduction of staff at Lansen
- After tax profit before non-controlling interests for the period was USD3.3 million (H1 2017: USD16.6 million)
- Group's loss attributable to owners of the parent for the period was USD1.9 million (H1 2017: profit of USD5.7 million)
- Excluding the non-operating income, the Group's after-tax loss before non-controlling interests for the period was USD2.8 million (H1 2017: USD1.1 million) and the Group's loss attributable to owners of the parent for the period was USD5.0 million (H1 2017: USD3.3 million)

Operational Highlights

The Group continues to focus on its three core businesses: pharmaceutical, cosmeceutical and healthcare.

Lansen

- Lansen has gone through a period of management and operational change in H1 2018 by reducing the selling and marketing expenses including cutting 190 staff members.
- Acquired an aesthetic clinic in Beijing through which to sell Fillderm for facial treatments; likely to be in operation in Q4 2018
- Developing a line of non-medical cosmetic products including a skin care line called San Parietti and a collagen mask series
- Revenue decreased 28.8% to USD35.9 million (H1 2017: USD50.5 million)
- Sales of pharmaceutical products were down by 21.7% to USD29.4 million (H1 2017: USD37.6 million)
- Sales of featured pharmaceutical products increased by 28.7% to USD6.3 million (H1 2017: USD4.9 million)
- Sales of cosmeceutical products decreased by 48.7% to USD4.1 million (H1 2017: USD7.9 million), mainly due to the cessation of sales of Comfy Collagen dressing mask (Kefumei) to an agency as a result of the two-invoice policy
- Yuze brand skincare products grew by 25.2% to USD4.0 million (H1 2017: USD3.2 million)

Natural Dailyhealth

- Revamped and integrated its sales infrastructure - brought in new sales head and relocated sales force to Shanghai
- Revenue decreased by 23.8% to USD3.2 million (H1 2017: USD4.2 million) due to a decrease in sales of granule products
- Gross profit of USD0.5 million (H1 2017: USD1.0 million) primarily due to a disposal of sub-standard ginkgo plant extracts and lower trading business volumes

Botai

- Continuing to jointly develop Fillderm with Lansen and selling to other aesthetic clinics for other applications
- Revenue was USD0.1 million (H1 2017: USD0.1 million)
- Gross profit was USD0.1 million (H1 2017: USD0.1 million)
- Margin increased to 84.7% (H1 2017: 83.6%)
- Operating loss was USD0.7 million (H1 2017: USD0.4 million) mainly due to increase in selling expenses and staff reduction costs

Haizi

- Difficulties working with its main corn fluid supplier meant it could not use production capacities as planned
- Entered into a long-term contract with another corn starch manufacturer to build a new phytin plant with an annual capacity of up to 6,000 tonnes which should stabilise the phytin supply at a competitive cost
- Finalised plan to enhance the quality of food grade di-calcium phosphate ("DCP") and now will start targeting high end customers
- Revenue of USD3.3 million (H1 2017: USD3.6 million) from sales of inositol and DCP
- Produced 695 tonnes (H1 2017: 390 tonnes) of inositol and 3,977 tonnes (H1 2017: 2,216 tonnes) of feed grade

  DCP

- Sold a total of 434 tonnes (H1 2017: 680 tonnes) of inositol and 3,188 tonnes (H1 2017: 2,815 tonnes) of feed grade DCP

Hotel

- Hotel operations benefitted from a strong Shenzhen economy with better than market average room rate and occupancy growth
- Revenue increased by 19.9% to USD7.6 million (H1 2017: USD6.3 million)
- Average room rate up at USD117 (H1 2017: USD111)
- Occupancy increased to 77.1% (H1 2017: 70.2%)
- Food and beverage sales increased by 15.8% to USD2.2 million (H1 2017: USD1.9 million)
- Operating profit was USD1.5 million (H1 2017: USD1.1 million)

Commenting on the interim results, Mr. Lee Jin-Yi, CEO of Cathay International Holdings Limited said: "The first six months of the year have seen steady progress across the business despite the macroeconomic headwinds and regulatory changes in the Chinese market in recent years. In light of this challenging environment, the Board and the business units have taken the necessary measures in the first half of the year to create a strong operational base with the foundations and team in place to grow in our chosen markets. There will be some benefits from the reorganisations in the second half of this year, however, the full impact of these will not fully translate in the short term. We look to the future with cautions optimism."

- Ends -

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About Cathay

Cathay International Holdings Limited (LSE: CTI.L) is a main market listed investment holding company and an operator and investor in the growing healthcare sector in the People's Republic of China (the "PRC"). The Company and its subsidiaries (collectively the "Group") aim to leverage on growth opportunities in the strong and growing domestic demand for high quality healthcare products in the PRC and build its portfolio companies into market sector leaders with competitive edge. Cathay has already demonstrated a strong track record of identifying high growth potential investment opportunities in this area including: Lansen, a leading specialty pharmaceutical company focused on rheumatology and dermatology in the PRC; Haizi, a company engaged in the manufacture, marketing and sale of inositol and its by-product, di-calcium phosphate; Natural Dailyhealth, a company engaged in production and sales of plant extracts for use as key active ingredients in healthcare products; and Botai, a company engaged in collagen products.

The Group employs approximately 1,800 people across the PRC, including over 30 specialist corporate and business development staff based at the holding company's offices in Hong Kong and Shenzhen. Cathay also has a hotel investment. For more information please visit the Company's website: www.cathay-intl.com.hk.

Management Discussion and Analysis

BUSINESS REVIEW

Pharmaceutical segment

The Group's pharmaceutical business continues to face pressure from recent medical regulation changes in China. A new two-invoices system, which allows only one distributor between manufacturer and hospital, has caused a decline in sales from agency products such as Hepai leflunomide tablets, Fuyi mycophenolate mofetil capsules and Guangwei mycophenolate mofetil dispersible tablets. The Group has also seen a narrowing of margins resulting from a new procurement process of not permitting hospitals to have markup over awarded tender price, which has led to cost cutting pressure. Lansen's new CEO joined in March and consequently, the management team has adjusted its product strategy to focus on self-owned products such as Pafulin, Sicorten Plus and several featured pharmaceutical products, including Bazhen granules, Qixuekang, licorice oral solution and Yahao Dengpeng toothpaste. The Group expects the potential growth of these self-owned products to, in time, more than offset the loss from sales of agency products.

The new management team has also restructured and streamlined its sales organisation by reducing the selling and marketing expenses including cutting 190 staff members. It has improved the incentive system to reward growth and allocated more resources to academic promotion incurring a one-time restructuring expense of USD1.3 million. Initially the restructuring has resulted in slower sales during the first half as well as lower production volumes. Furthermore, gross margin decreased further due to an increase in the cost of raw materials compared to the same period last year. It is expected that, over time, the restructuring will result in improved gross margins as volumes of self-owned products increase. Sales margins are also expected to be enhanced through lower cost of sales and better per capita sales, reduced compliance risks and long term competitiveness. Sales of self-owned products already began to recover in June and this is expected to continue into the second half of the year.

Healthcare segment

Haizi

Haizi has experienced difficulties in working with its main corn fluid supplier at its Gongzhuling plant. During the first six months, the supplier, due to its own environmental requirements, put restrictions on the amount and quality of corn fluids that could be returned to its own corn starch facilities. As a result, Haizi held extra processed fluids in its storage facilities meaning it could not use its production capacities as planned. Haizi is working closely with the

suppliers in order to identify a solution going forward. In the meantime, Haizi outsourced phytin from third parties as a short-term solution to feed its inositol production. Haizi recently entered into a long-term contract with another corn starch manufacturer to build a new phytin plant with an annual capacity of up to 6,000 tonnes. Haizi will provide technical know-how and some equipment totaling approximately USD0.3 million and will become an off-taker of all phytin produced at a competitive price in proportion to the market price of inositol. This new facility, expected to be ready next year, will stabilise the phytin supply at a competitive cost.

Inositol prices rose in the first quarter when the end users started to stock up but decreased in the second quarter as end users began to consume inventory. The overall price, however, was higher than last year.

Haizi finalised its plan to enhance the quality of food grade di-calcium phosphate ("DCP"). Haizi will target high end customers to launch this product and will schedule production based on orders procured.

Natural Dailyhealth

Natural Dailyhealth revamped its sales infrastructure in 2018. Management brought in a new sales head and integrated all its sales force from Xian and Ningbo to Shanghai, the main hub for healthcare products in China, in order to improve sales and control expenses. It has continued to develop a high-end customer base on its key products such as ginkgo, bilberry, ginseng and choline glycerophosphate, however, the customer development process has taken longer than expected and so Natural Dailyhealth has looked for OEM opportunities during the first six months to fill capacity and improve production efficiency.

Cosmeceutical segment

Lansen acquired an aesthetic clinic in Beijing which should be in operation in the last quarter of 2018. This clinic will work closely with cosmetology salon chains in Beijing as a franchise cooperation to sell 0.5ml Fillderm for facial treatments. Lansen will also market skincare products to these chains. Botai, on the other hand, will sell 1.0ml Fillderm to other aesthetic clinics for other applications.

The Group is also developing non-medical cosmetic products. It is currently developing a new skincare product line branded "San Parietti" and a collagen mask series. This product line, when completed, will be marketed through the franchise cooperation to cosmetology salons and will generate synergies with Fillderm.

Hotel

Hotel operations benefitted from a strong Shenzhen economy with better than market average room rate and occupancy growth. Customers continued to recognise our excellent service as evidenced by our top tier TripAdvisor rating. Although the banqueting business remains strong, the restaurant sales were slow and need improvement, which will be a priority for the remainder of 2018.

Outlook

The current trade tension between the US and China may impact the healthcare extract products such as inositol and bilberry which have end customers based in the US. The Hotel's business may also be adversely affected should the trade friction escalate and slow down China's economy.

The trade tension should have little or no impact on the pharmaceutical and cosmeceutical businesses because their market is in China and, with the restructuring of sales team completed, Lansen should see better sales growth in both specialty drugs and featured pharmaceutical products with improved operating margins.

Lansen and Botai will continue to jointly develop Fillderm. Lansen's own clinic and marketing campaign will be launched in the fourth quarter. Natural Dailyhealth, with a centralised sales force, will continue to further strengthen its client base in key product areas. If market demand remains stable, Haizi will have lower production costs of inositol with better capacity utilisation compared to the first half, and will gradually open up the food grade DCP market.

The Hotel will take advantage of a strong market sentiment to improve its average room rate and food and beverage sales. The Hotel is in discussions with IHG on room reconfiguration strategy to maximise revenue generation.

Financial Review

During the first half of 2018, the Group's revenue decreased to USD49.2 million (H1 2017: USD62.0 million). Lansen has gone through a period of management and operational change in the first half of 2018. The two-invoices system and stock clearance from pharmaceutical distributors have led to a fall in sales in some product lines in the first half of 2018. Sales in Haizi and Natural Dailyhealth also dropped slightly but were offset by an increase in sales from Botai and the Hotel.

The Group's gross profit decreased to USD20.6 million (H1 2017: USD29.2 million). Average gross margin decreased to 41.8% (H1 2017: 47.1%), mainly due to a decrease in Pafulin's gross profit margin, resulting from a lower production volume and proportionate sales increase in lower margin plant extracts at healthcare, cosmeceutical products and the Hotel.

Despite the decrease in Group's gross profit by USD8.6 million, the Group's operating profit decreased by a smaller extent of USD3.8 million to USD1.1 million (H1 2017: USD4.9 million). This was mainly due to a reduction in Lansen's selling and distribution expenses resulting from a reduction in the number of sales staff.

During the period, the Group realised a post-tax non-operating gain of USD6.1 million (H1 2017: USD17.8 million) mainly due

to a lower number of Starry shares sold resulting in a gain of USD5.2 million (H1 2017: USD15.4 million).

The Group incurred lower finance costs of USD5.2 million (H1 2017: USD5.5 million) due to a decrease of average loan balance of USD5.9 million during the period but with a higher effective borrowing rate on the rise in LIBOR and the PRC lending rates. Last year's finance costs also included a write off of unamortised bank fee of USD0.7 million of the previous hotel mortgage bank loan. The effective interest rate was 4.9% (H1 2017: 4.5%).

As a result, the Group's after tax profit before non-controlling interests for the period was USD3.3 million (H1 2017: USD16.6 million). The Group's loss attributable to owners of the parent for the period was USD1.9 million (H1 2017: profit of USD5.7 million). Excluding the non-operating income, the Group's after tax loss before non-controlling interests for the period was USD2.8 million (H1 2017: USD1.1 million) and the Group's loss attributable to owners of the parent for the period was USD5.0 million (H1 2017: USD3.3 million).

	Healthcare				Hotel Operations	Corporate Office	Inter-segment Elimination	Total
(Stated in USD'000)	Lansen	Haizi	Natural Dailyhealth	Botai				
For the six months ended 30 June 2018								
REVENUE								
External sales	35,258	3,292	2,932	144	7,564	-	-	49,190
Inter-segment sales	661	23	240	-	-	-	(924)	-
Segment revenue	35,919	3,315	3,172	144	7,564	-	(924)	49,190
Segment gross profit/(loss)	19,122	(593)	497	122	1,578	-	(172)	20,554
Segment operating profit/(loss)	5,345	(1,996)	(629)	(730)	1,537	(2,116)	(285)	1,126
Segment non-operating income	6,106	-	-	-	-	-	-	6,106
Segment fair value gain on derivative financial instrument	554	-	-	-	-	-	(554)	-
Segment fair value gain on other								

financial liabilities	101	-	-	-	-	-	-	101
Segment finance costs	(2,237)	(632)	-	(99)	(509)	(1,827)	101	(5,203)
Segment share of post-tax profit of associate	1,046	-	-	-	-	-	189	1,235
Segment profit/(loss) before income tax	10,915	(2,628)	(629)	(829)	1,028	(3,943)	(549)	3,365
Segment income tax expense	(32)	14	-	-	-	-	-	(18)
Segment profit/(loss) for the period before non-controlling interests	10,883	(2,614)	(629)	(829)	1,028	(3,943)	(549)	3,347
Segment profit/(loss) for the period attributable to owners of the parent	5,640	(2,612)	(440)	(801)	1,028	(3,943)	(738)	(1,866)
For the six months ended 30 June 2017								
REVENUE								
External sales	48,270	3,544	3,765	67	6,306	-	-	61,952
Inter-segment sales	2,195	27	398	-	-	-	(2,620)	-
Segment revenue	50,465	3,571	4,163	67	6,306	-	(2,620)	61,952
Segment gross profit/(loss)	29,009	(1,763)	1,013	56	1,127	-	(242)	29,200
Segment operating profit/(loss)	8,673	(2,986)	(97)	(429)	1,078	(1,430)	111	4,920
Segment non-operating income	17,753	-	-	-	-	-	-	17,753
Segment fair value loss on derivative financial instrument	(1,444)	-	-	-	-	-	1,444	-
Segment finance costs	(1,955)	(533)	-	(50)	(572)	(2,378)	-	(5,488)
Segment share of post-tax profit of associate	1,149	-	-	-	-	-	(2)	1,147
Segment profit/(loss) before income tax	24,176	(3,519)	(97)	(479)	506	(3,808)	1,553	18,332
Segment income tax expense	(1,693)	(6)	-	-	-	-	-	(1,699)
Segment profit/(loss) for the period before non-controlling interests	22,483	(3,525)	(97)	(479)	506	(3,808)	1,553	16,633
Segment profit/(loss) for the period attributable to owners of the parent	11,495	(3,523)	(99)	(453)	506	(3,808)	1,555	5,673

Lansen

Lansen recorded a 28.8% decrease in revenue to USD35.9 million (H1 2017: USD50.5 million).

Sales of pharmaceutical products were down by 21.7% to USD29.4 million (H1 2017: USD37.6 million), of which Pafulin's sales

were down by 33.5% to USD18.6 million (H1 2017: USD28.0 million), sales of mycophenolate mofetil capsules and dispersible

tablets decreased by 19.1% to USD1.9 million (H1 2017: USD2.3 million) and sales of Hepai leflunomide tablets were down by

36.4% to USD0.9 million (H1 2017: USD1.4 million). Sicorten Plus's sales were USD1.3 million (H1 2017: nil). Sales of featured

pharmaceutical products increased by 28.7% to USD6.3 million (H1 2017: USD4.9 million), mainly due to sales of Bazhen

granules (for women's healthcare and included in the Chinese essential drug list) of USD3.1 million (H1 2017: USD3.6 million).

Sales of cosmeceutical products decreased by 48.7% to USD4.1 million (H1 2017: USD7.9 million), mainly because of the cessation of sales of Comfy Collagen dressing mask (Kefumei) to an agency as a result of the two-invoices policy. Yuze brand skincare products continued to do well and grew by 25.2% to USD4.0 million (H1 2017: USD3.2 million).

Sales of entrusted healthcare products (including plant extracts) were USD2.4 million (H1 2017: USD5.0 million).

In total, Lansen's gross profit was USD19.1 million (H1 2017: USD29.0 million). There was a decrease in the overall gross margin

by 4.3% to 53.2% (H1 2017: 57.5%) mainly resulting from a 8.4% decrease in Pafulin's gross profit margin. Gross margin of

pharmaceutical drugs was 55.9% (H1 2017: 68.0%) and cosmeceutical products was 55.0% (H1 2017: 35.8%). Gross margin of

entrusted healthcare products was 17.9% (H1 2017: 12.7%).

Lansen's operating profit decreased by 38.4% to USD5.3 million (H1 2017: USD8.7 million). Operating profit margin decreased

by 2.3% to 14.9% (H1 2017: 17.2%) which is lower than the decrease in gross profit margin, mainly due to lower selling and

marketing expenses. Selling and marketing expenses to revenue ratio reduced to 27.7% (H1 2017: 32.0%) of revenue or USD10.0

million (H1 2017: USD16.2 million) mainly due to the restructuring of the sales team and phasing out agency products in the second quarter. Lansen's administration expenses decreased by 2.4% to USD4.0 million (H1 2017: USD4.1 million) due to tighter controls over its spending.

Lansen's 10.6% owned associate, Starry, increased its profit contribution to USD1.2 million (H1 2017: USD1.1 million), mainly due to the increase in Starry's net income but was offset by smaller equity interest owned compared to last year as a result of the disposal of 4,175,000 Starry shares disposed in March 2017 effecting Lansen's interest for the full six months of H1 2018.

Lansen's profit before non-controlling interests decreased to USD10.9 million (H1 2017: USD22.5 million) mainly due to a smaller net gain of USD5.2 million (H1 2017: USD15.4 million) arising from disposal of 2,400,000 shares (H1 2017: 4,175,000 shares) in Starry. Excluding the non-operating income, Lansen's profit before non-controlling interests was USD4.8 million (H1 2017: USD4.7 million).

Starry

Lansen has a 10.6% equity interest in an associated company, Starry, whose shares are listed on the Shanghai Stock Exchange. Lansen's investment in Starry as at 30 June 2018 was recorded under equity accounting at USD24.3 million (31 December 2017: USD28.2 million) on the Group's balance sheet. Based on Starry's closing price of RMB21.42 per share as at 30 June 2018, the market value of Lansen's 10.6% interest in Starry was approximately USD41.4 million. The difference of USD17.1 million between the book value and the market value of Starry was not reflected in the financial statements.

Haizi

During the period, Haizi recorded revenue of USD3.3 million (H1 2017: USD3.6 million) from sales of inositol and DCP. Haizi

produced 695 tonnes (H1 2017: 390 tonnes) and 3,977 tonnes (H1 2017: 2,216 tonnes) of inositol and feed grade DCP

respectively and sold a total of 434 tonnes (H1 2017: 680 tonnes) of inositol and 3,188 tonnes (H1 2017: 2,815 tonnes) of feed grade DCP. The average selling price of inositol was higher at approximately USD6.4 per kg (H1 2017: USD5.0 per kg) due to rising environmental measures in China market which led to less phytin production resulted from underproduction of starch factories.

Haizi's gross loss was USD0.6 million (H1 2017: USD1.8 million) and its gross margin was -17.9% (H1 2017: -49.4%), primarily due to the higher selling price and lower production costs resulting from higher production volume when compared to last year. Haizi's operating loss was USD2.0 million (H1 2017: USD3.0 million) and its net loss was USD2.6 million (H1 2017: USD3.5 million).

Natural Dailyhealth

Natural Dailyhealth's revenue decreased by 23.8% to USD3.2 million (H1 2017: USD4.2 million) mainly due to a decrease in sales of granule products. It achieved a gross profit of USD0.5 million (H1 2017: USD1.0 million). The decrease in gross profit was primarily due to a disposal of sub-standard ginkgo plant extracts and lower trading business volumes. The operating loss was USD0.6 million (H1 2017: USD0.1 million).

Botai

Botai's revenue in the first half was USD0.1 million (H1 2017: USD0.1 million) mainly because distribution agents have not replenished their stock which was purchased in 2016.

Botai's gross profit was USD0.1 million (H1 2017: USD0.1 million) and its margin was 84.7% (H1 2017: 83.6%). The operating loss was USD0.7 million (H1 2017: USD0.4 million) mainly due to increase in selling expenses and staff reduction costs in the second quarter this year.

Hotel Operations

Hotel revenue increased by 19.9% in the first half to USD7.6 million (H1 2017: USD6.3 million), mainly due to the increase in average room rates, occupancy level and banqueting business. The Hotel's average room rate increased slightly to USD117 (H1 2017: USD111). Room occupancy went up to 77.1% (H1 2017: 70.2%).

The Hotel's food and beverage sales increased by 15.8% to USD2.2 million (H1 2017: USD1.9 million), mainly due to increases in revenue of its banqueting business.

The Hotel's operating profit was USD1.5 million (H1 2017: USD1.1 million) mainly because of higher room and food and beverage profit margins.

The Hotel provides high service quality to its customers and is frequently rated by Tripadvisor as one of the top 10 hotels in Shenzhen. Currently it is ranked fourth amongst 2,940 hotels in Shenzhen by TripAdvisor.

Corporate Office

Corporate overheads increased by USD0.7 million to USD2.1 million (H1 2017: USD1.4 million) mainly due to the smaller reversal

of USD0.4 million (H1 2017: USD0.9 million) on share options lapsed in the current period.

Borrowings

As at 30 June 2018, the Group's net borrowings had increased to USD165.1 million (31 December 2017: USD157.9 million) due to an increase in Corporate and Haizi's borrowings. Net gearing increased to 106.7% (31 December 2017: 105.6%). The net gearing calculation includes Lansen's remaining investment in Starry at book cost, but not at market value, as described above.

PRINCIPAL RISKS AND UNCERTAINTIES

The directors do not consider that the principal risks and uncertainties, as set out on pages 15 to 20 of the annual report for the year ended 31 December 2017, have changed materially since its publication.

Condensed Consolidated Statement of Profit or Loss

	Note	**Six months ended 30 June 2018 USD'000 (Unaudited)**	Six months ended 30 June 2017 USD'000 (Unaudited) (Re-presented)
Revenue	4	**49,190**	61,952
Cost of sales		**(28,636)**	(32,752)
Gross profit		**20,554**	29,200
Other income		**604**	944
Selling and distribution expenses		**(10,721)**	(16,817)
Administrative expenses		**(8,762)**	(7,625)
Impairment loss on financial assets		**(549)**	(782)
Profit from operations		**1,126**	4,920
Non-operating income	5	**6,106**	17,753
Fair value gain on other financial liabilities		**101**	-
Finance costs		**(5,203)**	(5,488)
Share of post-tax profit of associate		**1,235**	1,147
Profit before income tax	4	**3,365**	18,332
Income tax expense	7	**(18)**	(1,699)
Profit for the period		**3,347**	16,633
(Loss)/Profit for the period attributable to:			
Owners of the parent		**(1,866)**	5,673
Non-controlling interests		**5,213**	10,960
		3,347	16,633
(Loss)/Profit per share	6		
Basic and diluted		**(0.49 cents)**	1.50 cents

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June 2018 USD'000 (Unaudited)	Six months ended 30 June 2017 USD'000 (Unaudited)
Profit for the period	**3,347**	16,633
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**(1,132)**	2,593
Exchange differences reclassified to profit or loss upon partial disposal of an associate	**(107)**	355
Other comprehensive income, net of tax	**(1,239)**	2,948
Total comprehensive income for the period	**2,108**	19,581
Total comprehensive income attributable to:		
Owners of the parent	**(2,293)**	7,002
Non-controlling interests	**4,401**	12,579
	2,108	19,581

Condensed Consolidated Statement of Financial Position

	Note	**As at 30 June 2018 USD'000 (Unaudited)**	As at 31 December 2017 USD'000 (Audited) (Re-presented)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		**226,325**	230,388

Prepaid land lease payment		**4,392**	4,509
Intangible assets		**24,917**	24,974
Goodwill		**19,501**	19,501
Interest in associate		**24,347**	28,164
Financial assets at fair value through other comprehensive income		**-**	-
		299,482	307,536
CURRENT ASSETS			
Inventories		**16,480**	19,471
Trade and other receivables	8	**67,526**	61,959
Prepaid land lease payment		**116**	117
Tax recoverable		**19**	-
Pledged bank deposits		**28,077**	34,272
Cash and cash equivalents		**23,807**	13,237
		136,025	129,056
TOTAL ASSETS		**435,507**	436,592
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		**96,297**	101,458
NON-CONTROLLING INTERESTS		**49,652**	48,934
TOTAL EQUITY		**145,949**	150,392
NON-CURRENT LIABILITIES			
Borrowings		**55,997**	57,704
Deferred tax liabilities		**40,586**	40,669
		96,583	98,373
CURRENT LIABILITIES			
Borrowings		**137,152**	134,512
Current tax liabilities		**26**	1,097
Trade and other payables		**53,425**	50,166
Contract liabilities		**1,171**	776
Other financial liabilities		**1,201**	1,276
		192,975	187,827
TOTAL LIABILITIES		**289,558**	286,200
TOTAL EQUITY AND LIABILITIES		**435,507**	436,592

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the parent										Non-controlling Interests	Total Equity
	Share Capital	Share Premium	Share Option Reserve	Treasury Shares	Capital and Special Reserve	Revaluation Reserve	Foreign Exchange Reserve	Statutory Reserve	Profit and Loss Account	Total		
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Balance at 1 January 2017 (audited)	19,062	51,035	1,626	(1,765)	96,850	17,657	(26,453)	10,234	(62,425)	105,821	43,336	149,157
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(4,895)	(4,895)
Recognition of share-based payments	-	-	(807)	-	-	-	-	-	-	(807)	-	(807)
Share options lapsed during the period	-	-	(461)	-	-	-	-	-	461	-	-	-
Transactions with owners	-	-	(1,268)	-	-	-	-	-	461	(807)	(4,895)	(5,702)
Profit for the period	-	-	-	-	-	-	-	-	5,673	5,673	10,960	16,633
Other comprehensive income for the period	-	-	-	-	-	-	1,329	-	-	1,329	1,619	2,948
Total comprehensive income for the period	-	-	-	-	-	-	1,329	-	5,673	7,002	12,579	19,581
Deregistration of subsidiary	-	-	-	-	-	-	-	(185)	185	-	-	-
Balance at 30 June 2017 (unaudited)	19,062	51,035	358	(1,765)	96,850	17,657	(25,124)	10,049	(56,106)	112,016	51,020	163,036
Balance at 31 December 2017 as originally presented	**19,062**	**51,035**	**433**	**(1,765)**	**96,850**	**18,155**	**(23,661)**	**10,540**	**(69,191)**	**101,458**	**48,934**	**150,392**
Change in accounting policies (Note 2(b))	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,435)**	**(2,435)**	**(2,739)**	**(5,174)**
Restated balance at 1 January 2018	**19,062**	**51,035**	**433**	**(1,765)**	**96,850**	**18,155**	**(23,661)**	**10,540**	**(71,626)**	**99,023**	**46,195**	**145,218**
Dividends to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(944)**	**(944)**
Recognition of share-based payments	**-**	**-**	**(433)**	**-**	**-**	**-**	**-**	**-**	**-**	**(433)**	**-**	**(433)**

Transactions with owners	-	-	**(433)**	-	-	-	-	-	-	**(433)**	-	**(433)**
Profit for the period	-	-	-	-	-	-	-	-	**(1,866)**	**(1,866)**	**5,213**	**3,347**
Other comprehensive income for the period	-	-	-	-	-	-	**(427)**	-	-	**(427)**	**(812)**	**(1,239)**
Total comprehensive income for the period	-	-	-	-	-	-	**(427)**	-	**(1,866)**	**(2,293)**	**4,401**	**2,108**
Balance at 30 June 2018 (unaudited)	**19,062**	**51,035**	-	**(1,765)**	**96,850**	**18,155**	**(24,088)**	**10,540**	**(73,492)**	**96,297**	**49,652**	**145,949**

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June 2018 USD'000 (Unaudited)	Six months ended 30 June 2017 USD'000 (Unaudited)
Net cash (used in)/generated from operating activities	**(5,781)**	2,982
Cash flows from investing activities		
Purchase of property, plant and equipment	**(789)**	(4,262)
Additions of intangible assets	**(1,374)**	(759)
Proceeds from disposals of property, plant and equipment	**4**	444
Dividend received from associate	**116**	225
Interest received	**237**	368
Decrease/(Increase) in pledged bank deposits	**6,166**	(971)
Transaction costs and withholding tax in connection with partial disposal of an associate	**(367)**	(3,195)
Proceeds from partial disposal of an associate	**10,185**	26,087
Net cash generated from investing activities	**14,178**	17,937
Cash flows from financing activities		
Proceeds from borrowings	**84,238**	136,127
Repayment of borrowings	**(81,584)**	(140,655)
Increase in amount due to an intermediate parent undertaking	**301**	264

Net cash generated from/(used in) financing activities	**2,955**	(4,264)
Net increase in cash and cash equivalents	**11,352**	16,655
Cash and cash equivalents at beginning of the period	**13,237**	14,338
Effects of exchange rate changes	**(782)**	(268)
Cash and cash equivalents at end of the period	**23,807**	30,725

Notes to the Condensed Consolidated Financial Statements

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of Cathay International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively known as the "Group") for the six months ended 30 June 2018 (the "Interim Financial Statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (the "IASB").

The preparation of the Interim Financial Statements in compliance with IAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in Note 3.

The Interim Financial Statements are presented in United States Dollars ("USD"), unless otherwise stated. The Interim Financial Statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2017 annual financial statements. The Interim Financial Statements do not include all of the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") (which collective term includes all applicable individual International Financial Reporting Standards and Interpretations as approved by the IASB, and all applicable individual International Accounting Standards and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB), and should be read in conjunction with the 2017 consolidated financial statements of the Group. The Interim Financial Statements are neither audited nor reviewed by the Group's auditor.

The Interim Financial Statements have been prepared with the same accounting policies adopted in the 2017 annual financial statements, except for those that relate to new standards or interpretations effective for the fi rst time for periods beginning on or after 1 January 2018. Save as disclosed in the changes in accounting policies for the adoption of IFRS 9 and IFRS 15 in Note 2, the application of other new and revised IFRSs in the current period has no material effect on the amount reported and/or disclosures set out in the Interim Financial Statements.

At the end of reporting period, the Group's current liabilities exceeded its current assets by USD56,950,000. The Interim Financial Statements have been prepared based on the assumption that the Group can be

operated as a going concern and will have sufficient working capital to finance its operation in the next twelve months from 30 June 2018.

As in the past, the Group will start negotiation with the relevant banks on extension or renewal of the bank borrowings a few months prior to their respective maturities and obtain the approvals from the relevant banks before their respective maturities. The Group does not foresee that the bank borrowings will not be renewed or extended before maturity. The Group is also exploring options to secure long term funding, including debt and/or equity, to re-finance part of the bank borrowings and further partial disposals of equity interest in an associate. Accordingly, the Group should be able to meet in full its financial obligations as and when they fall due for the next twelve months from 30 June 2018 without significant curtailment of operations. The directors of the Company are accordingly satisfied that it is appropriate to prepare the Interim Financial Statements on a going concern basis.

Should the Group be unable to continue in business as going concern, adjustments would have to be made to the Interim Financial Statements to reduce the values of the assets of their net realisable amounts and to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities to current assets and current liabilities respectively. No such adjustments were reflected in the Interim Financial Statements.

2. CHANGES IN ACCOUNTING POLICIES

(a) Overview

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB that are effective for the annual period beginning on or after 1 January 2018 for the preparation of the Interim Financial Statements.

Amendments to IFRSs	Annual Improvements 2014-2016 Cycle
IFRS 9	Financial Instruments
Amendments to IFRS 15	Revenue from Contracts with Customers (Clarifications to IFRS 15)
IFRS 15	Revenue from Contracts with Customers
IFRIC 22	Foreign Currency Transactions and Advance Consideration

The adoption of the above has no material impact on the Group's result and financial position for the current or prior periods except for IFRS 9 and IFRS 15. Details of changes in accounting policies are described in Note 2(b) and 2(c) for IFRS 9 and IFRS 15 respectively.

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

(b) HKFRS 9, "Financial Instruments"

(i) Classification and measurement of financial instruments

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement", for annual periods beginning

on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of IFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the Interim Financial Statements.

The following tables summarised the impact, net of tax, of transition to IFRS 9 on the opening balance of profit and loss account and non-controlling interests as at 1 January 2018 as follows:

	Profit and Loss Account Attributable to owners of parent USD'000	**Non-controlling Interests** USD'000
Balance at 31 December 2017 (Audited)	(69,191)	48,934
Remeasurement of impairment under expected credit losses ("ECLs") model (Note 2(b)(ii) below)	(2,435)	(2,739)
Restated balance at 1 January 2018 (Unaudited)	(71,626)	46,195

IFRS 9 basically retains the existing requirements in IAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of IFRS 9 has no material impact on the Group's accounting policies related to financial liabilities. The impact of IFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under IFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with IFRS 15), an entity shall, at initial recognition, measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised cost"); (ii) financial assets at fair value through other comprehensive income ("FVTOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under IFRS 9 is generally based on two criteria: (i) the business model under which the fi nancial asset is managed and (ii) its contractual cash fl ow characteristics (the

"solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under IFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income, also no recycling of gain or loss to profit or loss on derecognition. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVTOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVTOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL

FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.

Amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

FVTOCI (equity investments)

Equity investments at FVTOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

The following table summarises the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Carrying amount as at 1 Janaury 2018 under IAS 39	Carrying amount as at 1 Janaury 2018 under IFRS 9
			USD'000	USD'000
Unlisted equity investments	Available-for-sale (at cost) (note 2(b)(i)(a))	FVTOCI	-	-
Trade and other receivables	Loans and receivables	Amortised cost	61,959	56,785
Pledged bank deposits	Loans and receivables	Amortised cost	34,272	34,272
Cash and cash equivalents	Loans and receivables	Amortised cost	13,237	13,237

Note a: As at 1 January 2018, unlisted equity investments were reclassified from available-for-sale financial assets at cost to financial assets at FVTOCI. These unlisted equity investments have no quoted price in an active market. The Group intends to hold these unlisted equity investments for long term strategic purposes. In addition, the Group has designated these unlisted equity investments at the date of initial application as measured at FVTOCI. As at 1 January 2018, the previous carrying amount and the fair value are the same.

(ii) Impairment of financial assets

The adoption of IFRS 9 has changed the Group's impairment model by replacing the IAS 39 "incurred loss model" to the "ECLs model". IFRS 9 requires the Group to recognise ECLs for trade receivables and financial assets at amortised costs earlier than IAS 39. Pledged bank deposits and cash and cash equivalents are subject to ECLs model but the impairment is immaterial for the current period.

Under IFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the end of the reporting period and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For all other financial instruments, the Group recognises a loss allowance based on 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured based on lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The Group's other financial instruments are considered to have low credit risk since there was no recent history of default.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of the ECLs model

(a) Impairment of trade receivables

As mentioned above, the Group applies the IFRS 9 simplified approach to measure ECLs which adopts a life time ECLs for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance for trade receivables analysed by invoice date as at 1 January 2018 was determined as follows:

1 January 2018	**0-90 days**	**91-180 days**	**181-365 days**	**Over 365 days**	**Total**
Expected credit loss rate (%)	0.24	0.85	3.98	75.07	16.19
Gross carrying amount (USD'000)	29,329	4,128	3,949	9,842	47,248
Loss allowance (USD'000)	70	35	157	7,388	7,650

The loss allowances for trade receivables as at 31 December 2017 reconcile to the opening loss allowances as at 1 January 2018 as follows:

	USD'000
As at 31 December 2017 - calculated under IAS 39	2,476

Amounts restated through opening profit and loss account	5,174
Opening loss allowance as at 1 January 2018 - calculated under IFRS 9	7,650

The increase in loss allowances for trade receivables upon the transition to IFRS 9 as at 1 January 2018 were USD5,174,000. The loss allowances further increased by USD433,000 (net of exchange realignment) for trade receivables during the six months period ended 30 June 2018.

(b) Impairment of other financial assets at amortised cost

Other financial assets at amortised cost of the Group represent other receivables. The directors of the Company consider that the impairment on the above assets is immaterial.

(iii) Transition

The Group has applied the transitional provision in IFRS 9 such that IFRS 9 was generally adopted without restating comparative information. The reclassifi cations and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position on 1 January 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 but rather those of IAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of IFRS 9 (the "DIA"):

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- The designation of certain investments in equity investments not held for trading as at FVTOCI.

(c) IFRS 15, "Revenue from Contracts with Customers"

IFRS 15 supersedes IAS 11 "Construction Contracts", IAS 18 "Revenue" and related interpretations. IFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted IFRS 15 "Revenue from Contracts with Customers" from 1 January 2018 which resulted in changes in accounting policies. In accordance with the transition provisions in IFRS 15, the Group has adopted the new rules retrospectively. The Group assessed the impacts of adopting IFRS 15 on its financial statements. Based on the assessment, the adoption of IFRS 15 has no significant impact on the Group's revenue recognition. Revenue for sales of goods are recognised at point of time as when there is evidence that the control of the goods has been transferred to the customer, the customer has adequate control over the goods and the Group has no unfulfilled obligations that affect customer accepting the goods. Revenue from room rental, food and beverage sales and other ancillary services in the hotel are recognised when the relevant services have been rendered.

Upon the adoption of IFRS 15, if there is any satisfied performance obligation but where the Group does not have an unconditional right to consideration, the Group should recognised a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognised the related revenue. No contract asset is recognised upon transition and at the end of the reporting period.

Following adjustments were made to the amounts presented in the condensed consolidated statement of fi nancial position at the date of initial application (1 January 2018):

	Carrying amount as at 31 December 2017 under IAS 18 (as previously stated)	**Reclassification**	**Carrying amount as at 1 January 2018 under IFRS 15**
	USD'000	USD'000	USD'000
Trade and other payables	50,942	(776)	50,166
Contract liabilities	-	776	776

* Contract liabilities recognised in relation to the trading of goods were previously treated as advance from customers presented under trade and other payables.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of Interim Financial Statements requires management to make judgements, estimates and assumptions that affects the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the Interim Financial Statements, signifi cant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year 31 December 2017 except for the estimation on expected credit losses as set out in Note 2(b) to the Interim Financial Statements.

4. SEGMENT INFORMATION

Information reported to the executive directors, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance based on the types of goods delivered.

Management currently identifies the Group's five products and service lines as operating segments as follows:

1) the Lansen segment is focused on the manufacture, marketing and sale of pharmaceuticals, cosmeceutical products and plant extracts and healthcare products in the People's Republic of China (the "PRC");

2) the Haizi segment is engaged in the manufacture, marketing and sale of inositol and its by-product, di-calcium phosphate;

3) the Natural Dailyhealth segment is engaged in the production and sales of plant extracts for use as key active ingredients in health products;

4) the Botai segment is engaged in the production and sales of collagen injectable fillers and development of collagen related products; and

5) the Hotel operations segment is a hotel located in the Lowu district of Shenzhen in the PRC.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results. Segment information can be analysed as follows for the reporting periods under review.

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit/ (loss) that is used by CODM for assessment of segment performance.

	Healthcare				Hotel Operations	Elimination	Total
	Lansen	Haizi	Natural Dailyhealth	Botai			
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Six months ended 30 June 2018							
REVENUE							
External sales	**35,258**	**3,292**	**2,932**	**144**	**7,564**	**-**	**49,190**
Inter-segment sales	**661**	**23**	**240**	**-**	**-**	**(924)**	**-**
Segment revenue	**35,919**	**3,315**	**3,172**	**144**	**7,564**	**(924)**	**49,190**
Geographical markets							
The PRC (domicile)	**35,082**	**2,413**	**1,786**	**144**	**7,564**	**(924)**	**46,065**
Overseas	**837**	**902**	**1,386**	**-**	**-**	**-**	**3,125**
Segment revenue	**35,919**	**3,315**	**3,172**	**144**	**7,564**	**(924)**	**49,190**
Segment profit/(loss) before income tax	**10,915**	**(2,628)**	**(629)**	**(829)**	**1,028**	**(549)**	**7,308**
Six months ended 30 June 2017							
REVENUE							
External sales	48,270	3,544	3,765	67	6,306	-	61,952
Inter-segment sales	2,195	27	398	-	-	(2,620)	-
Segment revenue	50,465	3,571	4,163	67	6,306	(2,620)	61,952
Geographical markets							
The PRC	47,782	2,172	3,397	67	6,306	(2,620)	57,104

(domicile)							
Overseas	2,683	1,399	766	-	-	-	4,848
Segment revenue	50,465	3,571	4,163	67	6,306	(2,620)	61,952
Segment profit/(loss) before income tax	24,176	(3,519)	(97)	(479)	506	1,553	22,140

The Group's reportable segments profit reconciled to the Group's profit before income tax as presented in the Interim Financial Statements as follows:

	Six months ended 30 June 2018 USD'000 (Unaudited)	Six months ended 30 June 2017 USD'000 (Unaudited)
Reportable segment profit	**7,308**	22,140
Unallocated corporate income	**50**	49
Unallocated corporate expenses	**(3,993)**	(3,857)
Profit before income tax	**3,365**	18,332

No segment assets or segment liabilities is presented as they are not regularly provided to the CODM.

5. NON-OPERATING INCOME

	Six months ended 30 June 2018 USD'000 (Unaudited)	Six months ended 30 June 2017 USD'000 (Unaudited) (Re-presented)
Impairment of intangible assets	**(486)**	-
Write off of intangible assets	**(773)**	(234)*
Gain on partial disposal of an associate, net of tax (Note a)	**5,236**	15,422
Tax refund in relation to a partial disposal of an associate (Note b)	**2,129**	-
Insurance claim for flood (Note c)	**-**	2,565
	6,106	17,753

* During the six months ended 30 June 2017, the write off of intangible assets amounted to USD234,000 was included under administrative expenses. In order to illustrate the financial performance more accurately, such item was included under "Non-operating income" in the condensed consolidated statement of profit or loss for the six months

ended 30 June 2018, and the comparative figure have been re-presented to conform to the current period's presentation.

Notes:

(a) On 15 March 2017, the Group had disposed of a total of 4,175,000 shares in Zhejiang Starry Pharmaceutical Co., Ltd ("Starry") via on-market block trade sales on the Shanghai Stock Exchange, at the price of Renminbi ("RMB") 43.11 per share and resulting in a gain on partial disposal, net of tax of USD15,422,000. After the partial disposal, the Group's equity interest in Starry has been reduced from 16.1% as at 31 December 2016 to 12.6% as at 30 June 2017.

On 6 June 2018, the Group had further disposed of a total of 2,400,000 shares in Starry via on-market block trade sales on the Shanghai Stock Exchange, at the price of RMB27.22 per share and resulting in a gain on partial disposal, net of tax of USD5,236,000. After the partial disposal, the Group's equity interest in Starry has been reduced from 12.6% as at 31 December 2017 to 10.6% as at 30 June 2018.

(b) In 2017, the Group had applied for refund of the tax paid in relation to the first partial disposal of shares in Starry. During the period, the Group had fulfilled the relevant requirements of refund and the tax refund is therefore recognised under "Non-operating income". Subsequent to the end of the reporting period, the Group had received tax refund amounting to RMB13,597,000 (equivalent to approximately USD2,129,000).

(c) The insurance claims were in relation to the damaged inventories of the Company's subsidiaries due to the flooding caused by a rainstorm in Ningbo, the PRC, in September 2015. Pursuant to the judgements of Ningbo Intermediate People's Court of Zhejiang Province in May 2017, the insurance company was ordered to pay RMB16.5 million (equivalent to approximately USD2.4 million) together with interests to the subsidiaries. On 16 June 2017, the subsidiaries received the settlement sums from the insurance company amounting to RMB17.6 million (equivalent to approximately USD2.6 million).

6. (LOSS)/PROFIT PER SHARE

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

	Six months ended 30 June 2018 USD'000 (Unaudited)	Six months ended 30 June 2017 USD'000 (Unaudited)
(Loss)/Profit		
(Loss)/Profit for the period attributable to the owners of the Company for the purpose of basic and diluted (loss)/profit per share	**(1,866)**	5,673

	Six months ended 30 June 2018 Thousands (Unaudited)	Six months ended 30 June 2017 Thousands (Unaudited)
Number of shares		
Common Shares		
Weighted average number of Common Shares for the purpose of basic and diluted (loss)/profit per share	**369,003**	368,957
A Shares		

Weighted average number of A Shares for the purpose of basic and diluted (loss)/profit per share	**8,955**	9,001

For the period ended 30 June 2018, the computation of diluted loss per share does not include the 7,490,801 Common Shares (six months ended 30 June 2017: 5,664,035 Common Shares) contingently issuable to Mr. Lee Jin-Yi as the conditions for their issue were not met throughout the period.

The Group had no outstanding share options during the current period. For the period ended 30 June 2017, the computation of diluted profit per share did not assume the incremental shares from outstanding share options because the exercise price of options exceeded market price.

7. INCOME TAX EXPENSE

The provision for current tax has been made in respect of the assessable profits arising in the PRC during the period.

8. TRADE AND OTHER RECEIVABLES

	30 June 2018 USD'000 (Unaudited)	31 December 2017 USD'000 (Audited)
Trade receivables	**49,157**	47,248
Less: impairment loss on trade receivables	**(8,083)**	(2,476)
Trade receivables (net of impairment losses)	**41,074**	44,772
Bills receivables	**15,677**	7,449
Prepayments and other receivables	**10,775**	9,738
	67,526	61,959

The Group has a policy of allowing an average credit period of 90 days (31 December 2017: 90 days) to its customers.

Based on the invoice date, ageing analysis of the trade receivables (net of impairment losses) of the Group as at the end of the reporting period is as follows:

	30 June 2018 USD'000 (Unaudited)	31 December 2017 USD'000 (Audited)
90 days or below	**26,733**	29,329
91-180 days	**3,487**	4,128
181-365 days	**9,144**	3,949
Over 365 days	**1,710**	7,366
	41,074	44,772

Upon the transition to IFRS 9, opening adjustments of USD5,174,000 as at 1 January 2018 were made to recognise additional ECLs on trade receivables (Note 2(b)(ii)).

As at 30 June 2018 and 31 December 2017, the Group discounted part of its bills receivables with full recourse to financial institutions. In the event of default by the debtors, the Group was obliged to pay the financial institutions the amount in default. During the six months ended 30 June 2018, interest was charged at a range from 4.5% to 5.0% (31 December 2017: a range from 4.1% to 4.2%) per annum on the proceeds received from the financial instructions until the date the debtors pay. The Group was therefore exposed to the risks of credit losses and late payment in respect of the discounted bills.

The discounting transactions did not meet the requirements in IFRS 9 for de-recognition of financial assets as the Group retains substantially all of the risks and rewards of ownership of the discounted bills receivables. As at 30 June 2018, bills receivables of USD8,084,000 (31 December 2017: USD2,755,000) continue to be recognised in the Group's financial statements even though they have been legally transferred to the financial institutions. The proceeds of the discounting transactions were included in borrowings as asset-backed financing until the bills receivables were collected or the Group settled any losses suffered by the financial institutions. As at 30 June 2018, the asset-backed financing liability related to discounted bills amounted to USD8,084,000 (31 December 2017: USD2,755,000).

Because the bills receivables have been transferred to the financial institutions legally, the Group did not have the authority to determine the disposition of the bills receivables.

As at 30 June 2018, certain trade receivables with carrying amounts of USD284,000 (31 December 2017: USD324,000) were pledged to secure bank borrowings.

As at 30 June 2018, certain bills receivables with carrying amounts of USD5,228,000 (31 December 2017: USD3,497,000) were pledged to secure bank borrowings. The carrying amount of the associated liability was USD5,000,000 (31 December 2017: USD7,000,000).

9. RELATED PARTY TRANSACTIONS

Related party relationship	**Type of transaction**	**Notes**	**Transaction amount**		**Balance owed**	
			Six months ended 30 June 2018	Six months ended 30 June 2017	**30 June 2018**	31 December 2017
			USD'000	USD'000	**USD'000**	USD'000
			(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
An intermediate parent undertaking of the Company	Interest charged	(a)	**301**	264	**11,320**	11,020
Director	Interest charged	(b)	**72**	66	**3,759**	3,773

(a) The outstanding balance is unsecured, repayable on demand and interest-bearing at 3.5% (31 December 2017: 3.5%) over London Interbank Offered Rate per annum.

(b) The outstanding balance comprise of a loan of USD3,058,000 (31 December 2017: USD3,072,000), which is

unsecured, repayable on demand and interest-bearing at 3.5% (31 December 2017: 3.5%) plus Hong Kong Interbank Offered Rate per annum; and a payable of unissued Common Shares of USD701,000 (31 December 2017: USD701,000).

(c) Key management personnel of the Group represents the Company's executive directors, their remunerations are as follows:

	Six months ended 30 June 2018 USD'000 (Unaudited)	Six months ended 30 June 2017 USD'000 (Unaudited)
Fees & salary	**832**	1,012
Share-based payments	**(320)**	(615)
Bonuses	**-**	29
	512	426

10. EVENT AFTER THE REPORTING PERIOD

On 18 May 2018, the Group's subsidiary, Lansen Pharmaceutical Holdings Limited, has entered into a sale and purchase agreement with independent third parties to acquire the entire interest in Beijing Eliza Medical and Beauty Clinic Company Limited ("Beijing Eliza") (formerly known as Beijing Jiahe Shangyi Medical and Beauty Clinic Company Limited) for a consideration of RMB6,750,000 (equivalent to approximately USD1,020,000) which is principally engaged in medical cosmetic business.

The acquisition was completed on 20 July 2018 and accordingly, Beijing Eliza became a subsidiary of the Company.

11. PUBLICATION OF NON-STATUTORY ACCOUNTS

Copies of this report have been sent to shareholders and are available to the public from the Company's registrars and transfer office at Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, BR3 4ZF, United Kingdom.

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