



## **Cathay International Holdings Limited**

**(“Cathay” or the “Company” or, together with its subsidiaries, the “Group”)**

### **Annual Results for the Year Ended 31 December 2016**

**Hong Kong, 30 March 2017 - Cathay International Holdings Limited (LSE: CTI.L)**, a leading operator and investor in the growing healthcare sector in the People's Republic of China (the “PRC”), today announces its Annual Results for the year ended 31 December 2016.

#### **Group Financial Highlights**

- The Company and its subsidiaries (collectively the “Group”) were impacted by the devaluation of Renminbi (“RMB”) by 6.5% over the period
- Group revenue increased by 4.4% in RMB constant currency
- Reported revenue down 2.1% to USD118.4 million (2015: USD120.9 million)
- Gross profit increased by 15.2% to USD57.3 million (2015: USD49.7 million)
- Gross profit margin increased to 48.4% (2015: 41.1%)
- Operating profit decreased to USD1.1 million (2015: USD4.1 million)
- Net loss reduced to USD10.2 million (2015: USD12.6 million)
- Loss attributable to owners of the parent was USD11.8 million (2015: USD13.6 million)

#### **Lansen**

- Revenue increased to USD94.8 million (2015: USD93.3 million)
- Revenue from pharmaceuticals increased by 8.9% to USD64.5 million (2015: USD59.2 million), mainly due to increased sales of Sicorten-Plus cream
- Revenue from medical cosmetics products increased by 109.3% to USD18.0 million (2015: USD8.6 million) due to commencement of sales of collagen injectable fillers and growth of Comfy Collagen Dressing mask (Kefumei) and Yuze brand skincare products
- Revenue of plant extracts for healthcare products decreased by 51.8% to USD12.3 million (2015: USD25.5 million) because of realignment of business into Natural Dailyhealth, which Lansen subscribed a 30% interest and is the Group’s sole platform for developing the plant extract and healthcare business
- Gross profit increased by 12.1% to USD53.8 million (2015: USD48.0 million)
- Gross profit margin increased by 5.3% to 56.7% (2015: 51.4%)
- Profit after income tax increased by 65.5% to USD4.4 million (2015: USD2.6 million).

#### **Haizi**

- Revenue down 28.1% to USD8.3 million (2015: USD11.5 million) due to the low average market price of inositol

- Net loss was USD5.7 million (2015: USD5.7 million)
- Improving quality of di-calcium phosphate (“DCP”) and processing techniques to achieve cost competitiveness
- Completed pilot scale production of food grade DCP and is working on the modification of its production line

#### **Natural Dailyhealth**

- Revenue increased by 51.2% to USD6.2 million (2015: USD4.1 million)
- Gross profit increased by 32.4% to USD1.3 million (2015: USD1.0 million)
- Operating loss decreased to USD1.0 million (2015: USD1.2 million)
- Working closely with Lansen on creating business synergies in health supplement and plant extract products
- Completed the expansion of the bilberry extract production line and GMP filing of the ginkgo extract production line with China Food and Drug Administration

#### **Botai**

- Revenue of USD2.4 million (2015: USD0.4 million)
- Gross profit increased to USD1.9 million (2015: USD0.3 million)
- Operating profit of USD0.3 million before one time write-off of intangible assets; and, after such write-off, operating loss of USD0.5 million (2015: USD1.1 million);
- Lansen, Botai’s appointed distribution agent, started market development and has been actively promoting sales of Fillderm
- Also beginning Botai’s own sales effort to accelerate and widen market coverage of Fillderm, a joint sales force approach for Fillderm
- Developing its own collagen based cosmeceutical products for the China market

#### **Starry (Lansen’s associated company)**

- Zhejiang Starry Pharmaceutical Co. Limited ("Starry") successfully listed on the Shanghai Stock Exchange on 9 March 2016
- Based on the closing price as at 31 December 2016, the market value of Lansen’s investment in Starry was approximately USD133.6 million
- Lansen’s share of profits from Starry were approximately USD1.7 million (2015: USD2.2 million)
- Post-period end Lansen initiated a share reduction plan and disposed of 4.175 million Starry shares on 15 March 2017 with gross proceeds of USD26.0 million. Net pre-tax gains on the disposal attributable to the Group were USD9.7 million
- The Group’s holding in Starry reduced to 12.6% after the disposal

#### **Hotel**

- Room occupancy remained steady at 69.4% (2015: 69.5%)
- Revenue down by 8.9% to USD12.8 million (2015: USD14.0 million) resulting from RMB devaluation and decrease in room rates and food and beverage revenue

**Commenting on the annual results, Mr. Lee Jin-Yi, CEO of Cathay International Holdings**

**Limited, said:** *“Despite the difficulties in the Chinese market in 2016, we are now starting to see the benefits of our diversification strategy as evidenced by our increase in Group revenue on a constant currency basis. Certain parts of the business, including Lansen’s pharmaceutical and cosmeceutical businesses, have performed well over the period. The Chinese market will continue to be affected by a slowing economy and international political uncertainties. The Group will strive for stable growth whilst proactively managing its business risks, including compliance and foreign exchange fluctuation and continue to implement its business diversification strategy.”*

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## **About Cathay**

Cathay International Holdings Limited (LSE: CTI.L) is a Main Market, London-listed investment holding company and a leading operator and investor in the growing healthcare sector in the People’s Republic of China.

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 health products; and Botai, a company engaged in production and sales of collagen injectable fillers.

The Group employs approximately 2,000 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](http://www.cathay-intl.com.hk)

## **Chairman's Statement**

### **Review of 2016**

The Group's key business segment in 2016 continued to be Lansen's pharmaceutical business. China's pharmaceutical industry experienced slower growth in 2016 due to the general economic slowdown and policy reforms. The implementation of lower drug tender prices, two rounds of price negotiations, centralised procurement and other policies have resulted in lower drug prices and narrower profit margins. We are, however, beginning to see the benefits of our diversification strategy from pharmaceutical to include healthcare and cosmeceutical products, which mitigate our business risks and improve profitability. Natural Dailyhealth's healthcare business is gaining traction and our relatively new cosmeceutical business at Botai is showing good promise.

In the pharmaceutical business, despite the growth in sales volume, Lansen experienced slower growth in sales of its specialty drugs due to downward pressure on pricing. In order to increase profitability, Lansen is currently exploring ways to control costs, expand its sales channels and bring new products to market. Sicorten Plus, a recently acquired dermatology product, began to achieve volume growth while several other new products are in market development.

In the plant extract and healthcare business, the Group has strategically integrated its plant extract production capacities within the Group to capitalise on potential business synergies. During the year, Lansen made a 30% investment in Natural Dailyhealth (previously known as Yangling). Natural Dailyhealth became the Group's sole platform for developing the plant extract and healthcare business. Natural Dailyhealth completed the expansion of the bilberry extract production line and the GMP filing of ginkgo extract production line with China Food and Drug Administration and has also progressed well in market development and customer acquisition for its plant extract and healthcare products.

Haizi continued to focus on supplying bulk ingredients for the production of healthcare products. While the market price of inositol remains in the down cycle, Haizi has continued to improve production efficiency to reduce its costs. By fully utilizing its production capacity, Haizi is aiming to become a major global seller of inositol. Haizi is the only manufacturer in the world which has sizeable production capacity of botanical food grade di-calcium phosphate ("DCP"). In addition, Haizi has completed the pilot scale production of food grade DCP and is now working on the modification of its production line.

In the cosmeceutical business, Yuze skincare products and Kefumei collagen mask, both third party products distributed exclusively by Lansen in China, have achieved promising sales growth. Lansen has also started market development of Botai's Fillderm collagen injectable fillers and is actively promoting sales in China. Botai has renewed the production licence of Fillderm. In addition, the Group has made progress in the product development of collagen based products, such as masks and skin care products.

Lansen's associate, Zhejiang Starry Pharmaceutical Company Limited ("Starry"), was listed on the Shanghai Stock Exchange in March 2016. Starry's share price has appreciated resulting in the market value of Lansen's holding in Starry increasing to USD133.6 million (RMB926.9 million) as at 31 December 2016 from USD33.9 million (RMB235.1 million) at the time of Starry's listing. This investment has generated potentially significant capital appreciation for Lansen from the original book value; however, as Starry is equity accounted in Lansen, such potential gains are not reflected in the accounts. Subsequent to the balance sheet date, on 15 March 2017, Lansen announced the disposal of 4.175 million shares in Starry, and its holding in Starry was reduced from 16.1% to 12.6%. The gross disposal proceeds to Lansen were approximately USD26.04 million and the net pre-tax gains on the disposal attributable to the Group were approximately USD9.65 million.

The performance of Shenzhen Crowne Plaza declined marginally compared to last year, due to the decrease in average room rates as the proportion of large corporate customers increased and also due to a reduction in the banqueting revenues.

### **Results Performance in 2016**

Although Lansen's specialty pharmaceuticals business and Natural Dailyhealth's plant extract business both recorded sales growth, the Group's recorded revenue in 2016 was USD118.4 million, a decrease of 2.1% from 2015. This was due to the continued lower inositol market price which has had a negative effect on Haizi's sales performance.

The Group's recorded gross profit during the year was USD57.3 million, an increase of 15.2% from that of 2015. The Group's overall gross profit margin went up to 48.4% (2015: 41.1%), mainly due to the higher proportion of sales of high margin product at Lansen.

In 2016, the Group's net loss was USD10.2 million, which was less than the net loss of USD12.6 million in 2015. The selling expense, as a percentage of sales, increased due to a larger proportion of pharmaceutical products that demanded high marketing costs. Administrative expenses increased partly due to the temporary suspension of Fillderm production during the production licence renewal. One-off expenses incurred by the Group decreased compared to 2015 and the loss attributable to owners of the parent for the year decreased from USD13.6 million in 2015 to USD11.8 million.

### **Outlook in 2017**

The China market will continue to be affected by a slowing economy and international political uncertainties. The Group will, however, strive for stable growth whilst proactively managing its business risks, including compliance and foreign exchange fluctuation. The Group will also continue to implement its established business diversification strategy. Currently, major capital expenditures in all business segments of the Group have been completed and the Group will now allocate resources to strengthen its product marketing, to increase new product sales and to expand its distribution network.

Pafulin will remain as Lansen's core specialty drug product. To achieve sustainable sales growth in Pafulin, Lansen is working on expanding its distribution network to cover second and third tier cities in China and on product development of Pafulin in indications for other auto-immune disorders. In addition, Lansen will actively promote its new dermatology product, Sicorten Plus.

In 2017, Natural Dailyhealth is aiming to sell and produce its products at full capacity, to upgrade its product mix to achieve better margins, and to actively explore downstream healthcare product opportunities. Natural Dailyhealth is applying for product registration for a range of healthcare end-products and exploring OEM opportunities with international branded healthcare producers.

Haizi will work to increase its market share in inositol. It will also launch its food grade DCP as a product from the largest botanical DCP manufacturer once it completes the plant renovation.

The Group will adopt a joint sales force approach for Fillderm in which Lansen will continue its main market development and promotion role, whilst Botai begins its own sales effort to accelerate and widen market coverage in China. In addition, the Group expects to gradually introduce its self-developed collagen based cosmeceutical products to the China market.

The Group will also work on improving the hotel's overall profitability by raising room rates and increasing banquet and food and beverage sales. The Group will conduct further research on brand positioning and room specifications, at the appropriate time, to enhance the business value of the hotel.

I would like to thank all shareholders and directors for your continued support. The management team will aspire to fulfil the Group's diversification strategy in the interests of shareholders in 2017.

**Wu Zhen Tao**

*Chairman*

## FINANCIAL REVIEW

### GROUP RESULTS

The Group's revenue increased by 4.4% in RMB terms when compared to last year, however, taking into account the devaluation of RMB by 6.5%, Group revenue actually decreased by 2.1% to USD118,403,000 (2015: USD120,886,000). Lansen recorded sales of USD92,833,000 (2015: USD93,349,000) and Haizi recorded sales of inositol and di-calcium phosphate ("DCP") of USD8,140,000 (2015: USD10,983,000), which was lower than last year due to the price drop in inositol. Natural Dailyhealth's sales increased to USD4,674,000 (2015: USD2,551,000) mainly due to an increase in sales of bilberry extracts, ginkgo extracts and ginseng extracts. Botai's sales of USD2,433,000 were included in Lansen's revenue. In addition, there were inter-segment sales of inositol between Haizi and Natural Dailyhealth and sales of plant extracts between Natural Dailyhealth and Lansen during the year. As such, inositol sales amounting to USD163,000 (2015: USD561,000) were not included in Haizi's revenue but in Natural Dailyhealth's and plant extract sales, amounting to USD1,530,000 (2015: USD1,551,000), were not included in Natural Dailyhealth but recognised in Lansen. A portion of plant extract sales, amounting to USD1,991,000 were recorded in Natural Dailyhealth instead of Lansen. Hotel revenue declined by 8.9% to USD12,756,000 (2015: USD14,003,000).

Group's gross profits increased by 15.2%, or USD7,543,000 to USD57,282,000 (2015: USD49,739,000). This was primarily due to the increase in Lansen's gross profits by USD5,813,000 to USD53,776,000 (2015: USD47,963,000) and the increase in Botai's gross profits by USD1,604,000 to USD1,864,000 (2015: USD260,000). Natural Dailyhealth and Hotel's gross profits were USD1,298,000 (2015: USD980,000) and USD2,280,000 (2015: USD2,570,000) respectively. Haizi's gross loss of USD1,784,000 was similar to last year. Group's gross profit margin increased to 48.4% (2015: 41.1%) primarily due to the launch of the collagen injectable fillers and the increase in Lansen's gross margin caused by the increase in proportionate sales of high margin pharmaceutical products, but partly offset by the decline in Haizi's gross margin resulting from the drop in inositol selling price.

Group's operating profit decreased by USD3,006,000 to USD1,070,000 (2015: USD4,076,000) due, in part to the decrease in Lansen's operating profit of USD4,675,000 although partly offset by the decrease in Botai's operating loss of USD614,000. The corporate office expenses were lower than last year by USD744,000 mainly due to a decrease in salary related expenses such as the reversal of share option expenses of USD450,000.

Group's finance costs increased by 2.0% to USD8,585,000 (2015: USD8,414,000) mainly due to an increase in the Group's total borrowings. The average borrowing costs during the year were 4.25% (2015: 4.46%). No interest expense was capitalised during the year.

Group share of profit from Starry, a 16.1% owned associate company which is primary engaged in the production and sales of iohexal for X-CT scan, was USD1,720,000 (2015: USD2,162,000). The decrease was mainly due to the dilution effect of Lansens's interest in Starry from 21.5% to 16.1% arising from the listing of Starry on the Shanghai Stock Exchange on 9 March 2016.

During the year, Lansens incurred further ginkgo recall related expenses of USD1,375,000 (2015: USD 3,953,000) relating to the sub-standard ginkgo tablets.

Group's loss (after finance costs and tax) was USD10,233,000 (2015: USD12,628,000). After deducting the minority interests of Lansens, Group's loss for the year attributable to owners of the parent was USD11,816,000 (2015: USD13,598,000).

(stated in USD'000)	Healthcare				Hotel Operations	Corporate Office	Inter-segment Elimination	Total
	Natural							
	Lansens	Haizi	Dailyhealth	Botai				
<b>For year ended 31 December 2016</b>								
REVENUE								
External sales	92,833	8,140	4,674	-	12,756	-	-	118,403
Inter-segment sales	1,991	163	1,530	2,433	-	-	(6,117)	-
Segment revenue	94,824	8,303	6,204	2,433	12,756	-	(6,117)	118,403
Segment gross profit/(loss)	53,776	(1,784)	1,298	1,864	2,280	-	(152)	57,282
Segment operating profit/(loss)	9,718	(5,180)	(1,037)	(472)	2,152	(4,720)	609	1,070
Segment administrative penalty and other related expenses of ginkgo products	(1,375)	-	-	-	-	-	-	(1,375)
Segment fair value gain on derivative financial instruments	1,129	-	-	-	-	-	(1,129)	-
Segment finance costs	(3,367)	(654)	-	(3)	(788)	(3,773)	-	(8,585)
Segment share of post-tax profit of associate	1,454	-	-	-	-	-	266	1,720





Segment profit/(loss)								
before income tax	4,900	(5,785)	(1,158)	(1,086)	1,773	(8,945)	(100)	(10,401)
Segment income tax								
expense	(2,260)	52	(19)	-	-	-	-	(2,227)
Segment profit/(loss) for								
the year before								
non-controlling								
interests	2,640	(5,733)	(1,177)	(1,086)	1,773	(8,945)	(100)	(12,628)
Segment profit/(loss) for								
the year attributable								
to owners of the								
parent	1,618	(5,730)	(1,177)	(1,037)	1,773	(8,945)	(100)	(13,598)

### Group's Net Assets and Gearing

The Group's net assets as at 31 December 2016 were USD149,157,000 (2015: USD177,196,000). Net assets per share as at 31 December 2016 were USD0.39 (2015: USD0.46).

Starry successfully listed on the Shanghai Stock Exchange (Stock code: 603520) on 9 March 2016. As at year end, Lansen's cost of investment in Starry was USD32,147,000 under equity accounting basis. Based on Starry's closing price as of 31 December 2016, the market value of Lansen's investment in Starry was approximately USD133,612,000. The difference between the book value and the market value of Starry was not included in the financial statements.

The Group increased its net borrowings to USD165,920,000 (2015: USD149,083,000), from which there was a net increase of USD11,864,000 related to Lansen and a net increase of USD7,337,000 and USD4,107,000 related to the hotel and Haizi for group general working capital and capital expenditures. Net gearing reached 110.7%, up from 79.3%. Lansen's net gearing ratio was 75.1% (2015: 46.5%). Apart from Lansen's net borrowings, the Group's net gearing ratio was 65.2% (2015: 52.7%). As at year end, short term borrowings were USD137,746,000 (2015: USD106,005,000). Taking Starry's market value as at 31 December 2016 into consideration, Group's net gearing ratio was 65.9%.

## OPERATION REVIEW

### HEALTH CARE BUSINESSES

#### Lansen

Lansen's revenue maintained steady at USD94,824,000 (2015: USD93,349,000).

Revenue from pharmaceuticals increased by 8.9% to USD64,460,000 (2015: USD59,195,000) mainly due to increased sales in Sicorten-Plus cream. Revenue of plant extracts for healthcare products decreased by 51.8% to USD12,315,000 (2015: USD25,529,000) because of realignment of business into Natural Dailyhealth. Revenue from medical cosmetics products increased by 109.3% to USD18,049,000 (2015: USD8,625,000) due to the commencement of sales of collagen injectable fillers and growth of Comfy Collagen Dressing mask (Kefumei) and Yuze brand skincare products.

Revenue in Pafulin grew slightly by 0.9% to USD43,790,000 (2015: USD 43,391,000) while number of capsules sold increased by 2.1%. Hepai's sales were up by 45.1% to USD2,228,000 (2015: USD1,536,000) due to an increase in the number of customers resulting from winning hospital tenders. The new skincare product additions, Sicorten Plus cream and the Comfy Collagen Dressing mask (Kefumei), contributed sales of USD4,697,000 (2015: USD2,040,000) and USD5,629,000 (2015: USD4,436,000) respectively. Revenue from Yuze brand skin care products increased to USD4,144,000 (2015: USD 3,685,000).

Lansen's gross profit increased by 12.1% to USD53,776,000 (2015: USD47,963,000). Gross profit margin was up by 5.3% to 56.7% (2015: 51.4%) mainly due to a higher proportion of high gross margin pharmaceuticals sales. The gross profit margin of its pharmaceutical products increased to 69.3% (2015: 66.5%). Healthcare products' gross profit margin decreased to -0.7% (2015: 20.4%) mainly due to disposal of obsolete stocks amounting to USD1,485,000. Medical cosmetics products gross margin was 50.8% (2015: 39.2%).

Lansen's operating profit decreased by 32.5% to USD9,718,000 (2015: USD14,393,000). Operating profit margin lowered to 10.2% (2015: 15.4%). Selling and distribution expenses increased to 30.9% of revenue (2015: 29.1%) mainly due to larger proportionate sales of pharmaceutical products with relatively higher selling expenses. Administrative expenses increased to 17.8% of revenue (2015: 12.5%) or was USD16,899,000 (2015: USD11,659,000) mainly due to operation expansion, opening of two branch offices in Beijing and Shanghai to facilitate sales activities, increase in bank charges, new product bar code application fee and write-off of intangible assets.

In 2015, China Food and Drug Administration conducted a nationwide inspection in the ginkgo industry. A one-off non-operating administrative penalty of USD2,931,000 (RMB18,290,000) was imposed on Lansen in relation to the breach of relevant rules and regulations in the production and sale of sub-standard ginkgo tablets in the PRC. The related ginkgo incident expenses, such as product recall, were USD1,375,000 (2015: USD1,022,000) for the year.

Lansen recorded an increase in profits after income tax by 65.5% to USD4,369,000 (2015: USD2,640,000).

By August 2016, under subscription agreement Lansen subscribed 30.0% of the enlarged

issued share capital of Natural Dailyhealth Holdings Limited for USD9,123,000 (RMB59,920,000).

At the same time, Natural Dailyhealth agreed to grant a put option to Lansen for a consideration of USD1. At any time during the period of three months commencing immediately after the second anniversary of signing the subscription agreement, Lansen is entitled to exercise the put option to require Natural Dailyhealth to purchase all (but not part) of the subscription shares then held by Lansen at the subscription price paid by Lansen and interest calculated at one-year Hong Kong fixed deposit rate.

On 6 July 2015, the Company announced that Lansen made a regulatory announcement regarding the legal proceedings (the "Litigation") initiated by Shenzhen Neptunus Pharmaceutical Company Limited (the "Claimant") against Lansen's subsidiary, Ningbo Liwah. In the Litigation, the Claimant alleged that it had suffered certain losses due to the use of ginkgo extract supplied by Ningbo Liwah in the Claimant's products. The Claimant is therefore seeking damages of approximately RMB70 million (approximately USD10.5 million as at 31 December 2016) from Ningbo Liwah, as well as relevant legal fees. Lansen has sought preliminary opinion on the Litigation from its legal counsel in the PRC, who, based on the information available as of the date of the consolidated financial statements, is of the opinion that the amount claimed by the Claimant is highly disputable. However, as Lansen and, therefore, the Group are not able to assess reliably the amount of provision, the Group has not made any provision against this Litigation. Lansen will, in accordance with the applicable laws, make every effort to protect its interests and its shareholders' interests, actively respond to the case and defend its position vigorously. The Company will inform shareholders of any material developments or notify the market when Lansen makes an announcement relevant to the Litigation.

On 15 March 2017, Lansen has disposed of a total of 4,175,000 shares in Starry via on-market block trade sales on the Shanghai Stock Exchange. The total consideration for the disposal to Lansen was USD26,040,000 and the net pre-tax gains on the disposal attributable to the Group were USD9,650,000. As a result of the disposal, the Group's holding (through Lansen) in Starry has reduced from 16.1% to 12.6%. According to a share reduction plan announced on 9 March 2017, Lansen may, subject to the on-market trading price of Starry, dispose of further shares in Starry up to approximately 8.05% in Starry and reduce its holding in Starry by half to 8.05% within six months from 15 March 2017.

## **Haizi**

During the year, Haizi produced 1,481 tonnes (2015: 933 tonnes) and sold 1,252 tonnes (2015: 1,286 tonnes) of inositol, and produced 7,894 tonnes (2015: 6,999 tonnes) and sold 6,699 tonnes (2015: 10,025 tonnes) of DCP. The average selling price of inositol was around USD6/kg (2015: USD7/kg) during the year.

Haizi's revenue decreased by 28.1% to USD8,303,000 (2015: USD11,544,000), of which USD163,000 (2015: USD561,000) was sold through Natural Dailyhealth. Haizi's gross loss

was USD1,784,000 (2015: USD1,934,000) and its gross margin was -21.5% (2015: -16.8%), primarily due to the low production and low inositol market selling price. The operating loss was USD5,180,000 (2015: USD4,945,000) and its net loss was USD5,688,000 (2015: USD5,733,000).

Haizi continues to work on ways to improve its phythin output efficiency, lower ancillary raw material costs, and produce higher quality DCP. Once such improvements are completed, Haizi should have a competitive cost position compared to other market participants.

### **Natural Dailyhealth**

In the first half of 2016, Natural Dailyhealth and Lansen entered into a subscription agreement and, as a result, more non-GMP plant extract products were produced at Natural Dailyhealth's facilities in the second half of 2016. Natural Dailyhealth's revenue, primarily comprising bilberry extracts, ginkgo extracts, ginseng extracts and choline glycerophosphate extracts, increased by 51.2% to USD6,204,000 (2015: USD4,102,000) and the gross profit increased by 32.4% to USD1,298,000 (2015: USD980,000). Natural Dailyhealth's operating loss decreased to USD1,037,000 (2015: USD1,152,000).

Natural Dailyhealth continues to search for suitable plant extract products and is working closely with Lansen on creating business synergies in health supplement and plant extract products.

### **Botai**

During the year, Lansen started market development of Botai's Fillderm collagen injectable fillers and has been actively promoting Fillderm sales in China. Botai is also exploring to set up its own marketing and sales team to work with Lansen to accelerate and widen market coverage of Fillderm in China, including cosmetic consumers, beauty consultants and doctors. The production licence was renewed in March 2017. Botai is also working on developing its own collagen based cosmeceutical products for the China market.

Botai's revenue was USD2,433,000 (2015: USD378,000). Its gross profit was USD1,864,000 (2015: USD260,000) and its operating loss was USD472,000 (2015: USD1,086,000). Botai recorded an one time intangible assets write-off of USD738,000. Otherwise, it would have generated USD266,000 of operating profits from sales of collagen injectable fillers this year.

### **Hotel operations**

The Hotel's revenue decreased by 8.9% to USD12,756,000 (2015: USD14,003,000) mainly resulting from a decrease in RMB exchange rates, decrease in room rates and food and beverage revenue. Lower average room rate of USD115 (2015: USD126) and revenue per available room (REVPAR) of USD80 (2015: USD87) resulted from an increase in room sales to large multinational corporate clients at preferential corporate rates and a decrease in banquet revenue.

As a result of continued strong corporate travelling during 2016, the Hotel maintained its strong position in the Lowu area. Overall room occupancy remained steady at 69.4% (2015: 69.5%). Revenue from the food and beverage segment decreased by 10.6% to USD3,700,000 (2015: USD4,141,000) mainly due to lower revenue from banquet sales.

The Hotel's gross profits decreased by 11.3% to USD2,280,000 (2015: USD2,570,000), and operating profits lowered by 11.4% to USD2,152,000 (2015: USD2,430,000). The gross profit margin maintained at 17.9% (2015: 18.4%) and the operating profit margin was 16.9% (2015: 17.4%).

Colliers International (Hong Kong) Limited, an independent firm of qualified professional valuers, revalued the Hotel at USD151,000,000 (2015: USD158,000,000). The Company has considered that the current room configuration may not be the best mix and so has reviewed other available options. The existing revaluation is based on a best use scenario.

The Hotel consistently achieved high customer satisfaction and was also frequently rated by Tripadvisor as one of the top 10 hotels in Shenzhen.

During the second half of 2016 a new hotel management team (General Manager, Director of Sales and Marketing, Director of Food and Beverage) was put in place. The Hotel will continue to improve service quality by conducting staff training and addressing individual customer needs. It will focus on increasing the number of corporate clients and growing the food and beverage business to further position Landmark as a high-end business hotel in Shenzhen.

## Consolidated Statement of Profit or Loss

	Notes	2016 USD'000	2015 USD'000
Revenue	2	118,403	120,886
Cost of sales		(61,121)	(71,147)
Gross profit		57,282	49,739
Other income		2,530	5,886
Selling and distribution expenses		(30,814)	(28,835)
Administrative expenses		(27,928)	(22,714)
Profit from operations		1,070	4,076
Loss from flood		-	(4,272)
Administrative penalty and other related expenses of ginkgo products		(1,375)	(3,953)
Finance costs		(8,585)	(8,414)
Share of post-tax profit of associate		1,720	2,162
Loss before income tax		(7,170)	(10,401)
Income tax expense		(3,063)	(2,227)
Loss for the year		(10,233)	(12,628)
(Loss)/Profit for the year attributable to:			
Owners of the parent		(11,816)	(13,598)
Non-controlling interests		1,583	970
		(10,233)	(12,628)
Loss per share	3		
Basic and diluted		(3.13 cents)	(3.60 cents)

## Consolidated Statement of Comprehensive Income

	2016 USD'000	2015 USD'000
Loss for the year	<u>(10,233)</u>	<u>(12,628)</u>
Other comprehensive income		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translating foreign operations	(9,589)	(9,214)
Reclassification adjustments relating to disposal of a subsidiary	-	(1,121)
	<u>(9,589)</u>	<u>(10,335)</u>
<i>Items that will not be reclassified to profit or loss:</i>		
(Deficit)/Surplus on revaluation of hotel properties	(7,263)	22,766
Deferred tax relating to revaluation of hotel properties	1,665	(7,834)
	<u>(5,598)</u>	14,932
Other comprehensive income, net of tax	<u>(15,187)</u>	<u>4,597</u>
Total comprehensive income for the year	<u>(25,420)</u>	<u>(8,031)</u>
Total comprehensive income attributable to:		
Owners of the parent	(22,280)	(4,242)
Non-controlling interests	(3,140)	(3,789)
	<u>(25,420)</u>	<u>(8,031)</u>



## Consolidated Statement of Financial Position

	2016 USD'000	2015 USD'000
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment, comprise:	<b>223,078</b>	235,404
Hotel properties, at valuation (of which, equity investment cost was USD76,460,000 (2015: USD79,620,000))	<b>150,972</b>	157,950
Other property, plant and equipment	<b>72,106</b>	77,454
Prepaid land lease payment	<b>4,360</b>	4,783
Intangible assets	<b>25,166</b>	23,797
Goodwill	<b>19,501</b>	19,501
Interest in associate	<b>32,147</b>	33,690
Available-for-sale financial assets	<b>385</b>	385
	<b>304,637</b>	317,560
<b>CURRENT ASSETS</b>		
Inventories	<b>21,025</b>	22,870
Trade and other receivables	<b>66,211</b>	54,693
Prepaid land lease payment	<b>110</b>	118
Tax recoverable	-	224
Pledged bank deposits	<b>31,762</b>	26,675
Cash and cash equivalents	<b>14,338</b>	22,285
	<b>133,446</b>	126,865
<b>TOTAL ASSETS</b>	<b>438,083</b>	444,425
<b>EQUITY AND LIABILITIES</b>		
<b>CAPITAL AND RESERVES</b>		
Called up share capital	<b>19,062</b>	19,062
Share premium	<b>51,035</b>	51,035
Share option reserve	<b>1,626</b>	1,596
Treasury shares	<b>(1,765)</b>	(1,765)
Capital and special reserve	<b>96,850</b>	96,850
Revaluation reserve	<b>17,657</b>	23,255
Foreign exchange reserve	<b>(26,453)</b>	(21,587)
Statutory reserve	<b>10,234</b>	9,651
Profit and loss account	<b>(62,425)</b>	(51,347)
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	<b>105,821</b>	126,750
<b>NON-CONTROLLING INTERESTS</b>	<b>43,336</b>	50,446
<b>TOTAL EQUITY</b>	<b>149,157</b>	177,196
<b>NON-CURRENT LIABILITIES</b>		
Borrowings	<b>59,936</b>	69,753
Deferred tax liabilities	<b>38,711</b>	40,148
	<b>98,647</b>	109,901

**CURRENT LIABILITIES**

Borrowings	<b>137,746</b>	106,005
Current tax liabilities	<b>1,403</b>	1,474
Trade and other payables	<b>49,904</b>	48,679
Other financial liabilities	<b>1,226</b>	1,170
	<hr/>	<hr/>
	<b>190,279</b>	157,328
<b>TOTAL LIABILITIES</b>	<b>288,926</b>	267,229
	<hr/>	<hr/>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>438,803</b>	444,425
	<hr/>	<hr/>

## Consolidated Statement of Changes in Equity

	Attributable to owners of the parent										Non-	Total
											controlling	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	Interests	USD'000
USD'000	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 2015	19,062	51,035	967	(1,737)	97,502	8,323	(16,663)	9,181	(37,279)	130,391	57,457	187,848
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(3,222)	(3,222)
Recognition of share-based payments	-	-	629	-	-	-	-	-	-	629	-	629
Buy-back of shares	-	-	-	(28)	-	-	-	-	-	(28)	-	(28)
Transactions with owners	-	-	629	(28)	-	-	-	-	-	601	(3,222)	(2,621)
(Loss)/Profit for the year	-	-	-	-	-	-	-	-	(13,598)	(13,598)	970	(12,628)
Other comprehensive income for the year:												
Disposal of a subsidiary	-	-	-	-	(652)	-	(11)	-	-	(663)	(458)	(1,121)
Exchange differences on translating foreign operations	-	-	-	-	-	-	(4,913)	-	-	(4,913)	(4,301)	(9,214)
Surplus on revaluation of hotel properties	-	-	-	-	-	22,766	-	-	-	22,766	-	22,766
Income tax relating to components of other comprehensive income	-	-	-	-	-	(7,834)	-	-	-	(7,834)	-	(7,834)
Total comprehensive income for the year	-	-	-	-	(652)	14,932	(4,924)	-	(13,598)	(4,242)	(3,789)	(8,031)
Appropriations to statutory reserve	-	-	-	-	-	-	-	470	(470)	-	-	-
Balance at 31 December 2015	19,062	51,035	1,596	(1,765)	96,850	23,255	(21,587)	9,651	(51,347)	126,750	50,446	177,196

## Consolidated Statement of Changes in Equity (continued)

	Attributable to owners of the parent										Non-	Total
											controlling	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	Interests	USD'000
USD'000	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 2016	19,062	51,035	1,596	(1,765)	96,850	23,255	(21,587)	9,651	(51,347)	126,750	50,446	177,196
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(2,649)	(2,649)
Disposal of partial interest in subsidiary	-	-	-	-	-	-	-	-	1,321	1,321	(1,321)	-
Recognition of share-based payments	-	-	30	-	-	-	-	-	-	30	-	30
Transactions with owners	-	-	30	-	-	-	-	-	1,321	1,351	(3,970)	(2,619)
(Loss)/Profit for the year	-	-	-	-	-	-	-	-	(11,816)	(11,816)	1,583	(10,233)
Other comprehensive income for the year:												
Exchange differences on translating foreign operations	-	-	-	-	-	-	(4,866)	-	-	(4,866)	(4,723)	(9,589)
Deficit on revaluation of hotel properties	-	-	-	-	-	(7,263)	-	-	-	(7,263)	-	(7,263)
Income tax relating to components of other comprehensive income	-	-	-	-	-	1,665	-	-	-	1,665	-	1,665
Total comprehensive income for the year	-	-	-	-	-	(5,598)	(4,866)	-	(11,816)	(22,280)	(3,140)	(25,420)
Appropriations to statutory reserve	-	-	-	-	-	-	-	583	(583)	-	-	-
Balance at 31 December 2016	19,062	51,035	1,626	(1,765)	96,850	17,657	(26,453)	10,234	(62,425)	105,821	43,336	149,157

## Consolidated Statement of Cash Flows

	2016 USD'000	2015 USD'000
<b>Cash flows from operating activities</b>		
Loss before income tax	(7,170)	(10,401)
Adjustments for:		
Finance costs recognised	8,585	8,414
Interest income	(602)	(1,393)
Provision for impairment of trade receivables	237	32
Provision for impairment of other receivables	22	3
Impairment of property, plant and equipment	-	304
Depreciation of property, plant and equipment	7,724	7,491
Amortisation of prepaid land lease payment	122	130
Amortisation of intangible assets	30	32
Write off of intangible assets	1,684	9
Write off of inventories	-	458
Losses on disposals of property, plant and equipment	136	76
Provision for/(Reversal of) impairment of obsolete inventories	403	(652)
Loss on disposal of a subsidiary	-	202
Share-based payments expenses	30	629
Loss from flood	-	4,272
Loss on deemed disposal of an associate	300	-
Share of post-tax profit of associate	(1,720)	(2,162)
Operating cash flows before movements in working capital	9,781	7,444
Increase in inventories	(13)	(5,169)
(Increase)/Decrease in trade and other receivables	(16,277)	12,874
Increase/(Decrease) in trade and other payables	3,617	(6,736)
Cash (used in)/generated from operations	(2,892)	8,413
Interest paid	(8,529)	(8,360)
Income tax paid	(2,525)	(1,838)
Net cash used in from operating activities	(13,946)	(1,785)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(7,374)	(6,644)
Additions of intangible assets	(3,947)	(3,875)
Proceeds from disposals of property, plant and equipment	52	67
Dividend received from associate	796	1,517
Interest received	602	1,393
(Payment)/Receipt of pledged bank deposits	(7,036)	6,625
Net cash outflow on disposal of subsidiary	-	(2)
Net cash used in investing activities	(16,907)	(919)

**Cash flows from financing activities**

Proceeds from borrowings	<b>155,403</b>	120,055
Repayment of borrowings	<b>(128,926)</b>	(109,914)
Dividends paid to non-controlling interests	<b>(2,649)</b>	(3,222)
Repayment of amount due to an intermediate parent undertaking	<b>(244)</b>	(1,007)
Payment for buy-back of shares	-	(28)
Net cash generated from financing activities	<b>23,584</b>	5,884
Net (decrease)/increase in cash and cash equivalents	<b>(7,269)</b>	3,180
Cash and cash equivalents at beginning of year	<b>22,285</b>	19,360
Effects of exchange rate changes	<b>(678)</b>	(255)
Cash and cash equivalents at end of year	<b>14,338</b>	22,285

## NOTES:

### 1. Basis of preparation

The preliminary results statement and the consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards, International Accounting Standards and Interpretations (hereinafter collectively referred to as "IFRSs") issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements also comply with IFRSs as issued by the IASB as adopted by the European Union. The differences between IFRSs as adopted by the European Union and IFRSs as issued by the IASB have not had a material impact on the consolidated financial statements for the years presented.

The consolidated financial statements have been prepared under historical cost basis except for the hotel properties and certain financial liabilities that are measured at fair values at the end of each reporting period. The consolidated financial statements are presented in United States Dollars ("USD"), which is the same as the functional currency of the Company, and all values are rounded to the nearest thousand except when otherwise indicated.

At the end of reporting period, the Group had current liabilities exceeded its current assets by USD56,833,000 (2015: USD30,463,000). The consolidated financial statements have been prepared based on the assumption that the Group can operate as a going concern and will have sufficient working capital to finance its operations in the next twelve months from 31 December 2016.

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. Notwithstanding the operating cash flow from certain of its subsidiaries, as at the end of reporting period, the Group has commenced discussions with a few banks and received indicative term sheets for the purpose of working capital. 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 partial disposal of equity interest in 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 31 December 2016 without significant curtailment of operations and the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to the consolidated financial statements accordingly.

## 2. 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.

During the year, the Group has renamed “Yangling” to “Natural Dailyhealth”. There was no change in the structure and composition of the reportable segments.

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 specialty pharmaceuticals, plant extracts and healthcare products and other pharmaceuticals in 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
- 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	Elimination	Total
	Lansen	Haizi	Natural		Operations		
			Dailyhealth	Botai			
	2016	2016	2016	2016	2016	2016	2016
	USD’000	USD’000	USD’000	USD’000	USD’000	USD’000	USD’000
REVENUE							
External sales	92,833	8,140	4,674	-	12,756	-	118,403
Inter-segment sales	1,991	163	1,530	2,433	-	(6,117)	-



Segment revenue	<b>94,824</b>	<b>8,303</b>	<b>6,204</b>	<b>2,433</b>	<b>12,756</b>	<b>(6,117)</b>	<b>118,403</b>
Segment gross profit/(loss)	<b>53,776</b>	<b>(1,784)</b>	<b>1,298</b>	<b>1,864</b>	<b>2,280</b>	<b>(152)</b>	<b>57,282</b>
Segment operating profit/(loss)	<b>9,718</b>	<b>(5,180)</b>	<b>(1,037)</b>	<b>(472)</b>	<b>2,152</b>	<b>609</b>	<b>5,790</b>
Segment administrative penalty and other related expenses of ginkgo products	<b>(1,375)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,375)</b>
Segment fair value gain on derivative financial instruments	<b>1,129</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,129)</b>	<b>-</b>
Segment finance costs	<b>(3,367)</b>	<b>(654)</b>	<b>-</b>	<b>(3)</b>	<b>(788)</b>	<b>-</b>	<b>(4,812)</b>
Segment share of post-tax profit of associate	<b>1,454</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>266</b>	<b>1,720</b>
Segment profit/(loss) before income tax	<b>7,559</b>	<b>(5,834)</b>	<b>(1,037)</b>	<b>(475)</b>	<b>1,364</b>	<b>(254)</b>	<b>1,323</b>
Depreciation and amortisation of non-financial assets	<b>(2,951)</b>	<b>(3,377)</b>	<b>(957)</b>	<b>(400)</b>	<b>(165)</b>	<b>-</b>	<b>(7,850)</b>
Provision for impairment of trade and other receivables	<b>(255)</b>	<b>-</b>	<b>(4)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(259)</b>
(Provision for)/Reversal of impairment of obsolete inventories	<b>(84)</b>	<b>(436)</b>	<b>117</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(403)</b>
Losses on disposals of property, plant and equipment	<b>(108)</b>	<b>-</b>	<b>(26)</b>	<b>(2)</b>	<b>-</b>	<b>-</b>	<b>(136)</b>
Segment assets	<b>214,419</b>	<b>48,612</b>	<b>19,710</b>	<b>7,371</b>	<b>155,834</b>	<b>(9,723)</b>	<b>436,223</b>
Segment liabilities	<b>(130,510)</b>	<b>(21,153)</b>	<b>(2,734)</b>	<b>(1,034)</b>	<b>(18,269)</b>	<b>-</b>	<b>(173,700)</b>
Additions to non-current segment assets	<b>4,663</b>	<b>2,758</b>	<b>3,217</b>	<b>463</b>	<b>220</b>	<b>-</b>	<b>11,321</b>
					<b>Hotel</b>		
		<b>Healthcare</b>			<b>Operations</b>	<b>Elimination</b>	<b>Total</b>
		<b>Natural</b>					
	<b>Lansen</b>	<b>Haizi</b>	<b>Dailyhealth</b>	<b>Botai</b>			

	2015	2015	2015	2015	2015	2015	2015
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
<b>REVENUE</b>							
External sales	93,349	10,983	2,551	-	14,003	-	120,886
Inter-segment sales	-	561	1,551	378	-	(2,490)	-
Segment revenue	93,349	11,544	4,102	378	14,003	(2,490)	120,886
Segment gross profit/(loss)	47,963	(1,934)	980	260	2,570	(100)	49,739
Segment operating profit/(loss)	14,393	(4,945)	(1,152)	(1,086)	2,430	(100)	9,540
Segment loss from flood	(4,272)	-	-	-	-	-	(4,272)
Segment administrative penalty and other related expenses of ginkgo products	(3,953)	-	-	-	-	-	(3,953)
Segment finance costs	(3,430)	(840)	(6)	-	(657)	-	(4,933)
Segment share of post-tax profit of associate	2,162	-	-	-	-	-	2,162
Segment profit/(loss) before income tax	4,900	(5,785)	(1,158)	(1,086)	1,773	(100)	(1,456)
Depreciation and amortisation of non-financial assets	(2,866)	(3,605)	(621)	(352)	(180)	-	(7,624)
Provision for impairment of trade and other receivables	(13)	(3)	(19)	-	-	-	(35)
Written off inventories	(458)	-	-	-	-	-	(458)
(Provision for)/Reversal of impairment of obsolete inventories	(31)	-	683	-	-	-	652
Impairment of property, plant and equipment	-	(304)	-	-	-	-	(304)
(Losses)/Gains on disposals of property, plant and equipment	(62)	2	(16)	-	-	-	(76)
Segment assets	207,821	49,479	13,437	8,332	163,781	-	442,850
Segment liabilities	(115,294)	(15,095)	(2,176)	(281)	(11,090)	-	(143,936)
Additions to non-current segment assets	7,188	952	1,052	1,121	199	-	10,512

The totals presented for the Group's operating segments reconcile to the entity's key financial figures as presented in its financial statements as follows:

	<b>2016</b>	2015
	<b>USD'000</b>	USD'000
Reportable segment finance costs	<b>(4,812)</b>	(4,933)
Unallocated corporate finance costs	<b>(3,773)</b>	(3,481)
Finance costs	<b>(8,585)</b>	(8,414)
Reportable segment profit/(loss)	<b>1,323</b>	(1,456)
Unallocated corporate income	<b>91</b>	200
Unallocated corporate expenses	<b>(8,584)</b>	(9,145)
Loss before income tax	<b>(7,170)</b>	(10,401)
Reportable segment assets	<b>436,223</b>	442,850
Other corporate assets	<b>1,860</b>	1,575
Group assets	<b>438,083</b>	444,425
Reportable segment liabilities	<b>173,700</b>	143,936
Deferred tax liabilities	<b>38,711</b>	40,148
Unallocated corporate borrowings	<b>59,785</b>	66,536
Other corporate liabilities	<b>16,730</b>	16,609
Group liabilities	<b>288,926</b>	267,229
Reportable depreciation and amortisation of non-financial assets	<b>7,850</b>	7,624
Unallocated corporate depreciation	<b>26</b>	29
Group depreciation and amortisation of non-financial assets	<b>7,876</b>	7,653
Reportable additions to non-current segment assets	<b>11,321</b>	10,512
Unallocated corporate additions	<b>-</b>	7
Group additions to non-current assets	<b>11,321</b>	10,519

The Group's revenue and its non-current assets (other than financial instruments) are divided into the following geographical areas:

<b>Revenue</b>		<b>Non-current assets</b>	
<b>2016</b>	2015	<b>2016</b>	2015

	<b>USD'000</b>	USD'000	<b>USD'000</b>	USD'000
The PRC (domicile)	<b>106,427</b>	106,114	<b>304,252</b>	317,175
Overseas	<b>11,976</b>	14,772	-	-
Total	<b>118,403</b>	120,886	<b>304,252</b>	317,175

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The Company is an investment holding company incorporated in Bermuda where the Group does not have any activities, the Group has the majority of its operations and workforce in the PRC, and therefore, the PRC is considered as the Group's country of domicile for the purpose of the disclosures as required by IFRS 8 *Operating Segments*. The geographical location of the non-current assets is based on the physical location of the assets.

No single customer's revenue amounted to 10% or more of the Group's revenue for the years ended 31 December 2016 and 2015.

### 3. Loss per share

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

	<b>2016</b>	2015
	<b>USD'000</b>	USD'000
<b>Loss</b>		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	<b>(11,816)</b>	(13,598)
<hr/>		
	<b>2016</b>	2015
	<b>Thousands</b>	Thousands
<b>Number of shares</b>		
<i>Common Shares</i>		
Weighted average number of Common Shares for the purpose of basic and diluted loss per share	<b>368,869</b>	368,765
<hr/>		
<i>A Shares</i>		
Weighted average number of A Shares for the purpose of basic and diluted loss per share	<b>9,089</b>	9,214
<hr/>		

For the year ended 31 December 2016, the computation of diluted loss per share does not include the 4,523,842 Common Shares (2015: 3,703,225 Common Shares)

contingently issuable to Mr. Lee Jin-Yi as the conditions for their issue were not met throughout the year.

For the years ended 31 December 2016 and 2015, the computation of diluted loss per share did not assume the incremental shares from outstanding share options because the share options have anti-dilutive effect.

#### 4. Financial information

This preliminary results statement was approved by the Board of Directors on 29 March 2017. The above results for the year ended 31 December 2016 have been abridged from the full Group accounts for that year and received an unqualified auditor's report.

The Annual Report and Financial Statements will be posted to shareholders as soon as practicable. Further copies will be available from the Company's registrars and transfer office at Capita Assets Services, PXS 1, 34 Beckenham Road, Beckenham, BR3 4ZF, United Kingdom.