CATHAY INTERNATIONAL HOLDINGS LIMITED

INTERIM REPORT 2009

Contents

Chairman's Interim Statement

(Stated in USD'000)	Hotel Operations	Pharmaceutical Research & development	Pharmaceutical Production marketing & distribution	Health Care	Corporate Office	Total
For the six months ended 30 June 2009						
Revenue	**4,329**	**–**	**20,872**	**8,638**	**–**	**33,839**
Segment gross profit	**219**	**–**	**14,184**	**1,454**	**–**	**15,857**
Segment operating profit/(loss)	**214**	**(350)**	**4,260**	**208**	**(1,686)**	**2,646**
Segment finance costs	**(772)**	**(25)**	**(194)**	**(245)**	**(858)**	**(2,094)**
Segment profit/(loss) before income tax	**(558)**	**(375)**	**4,066**	**(37)**	**(2,544)**	**552**
Segment income tax expense	**–**	**–**	**(551)**	**(27)**	**(145)**	**(723)**
Segment profit/(loss) for the period	**(558)**	**(375)**	**3,515**	**(64)**	**(2,689)**	**(171)**
For the six months ended 30 June 2008				(Restated)		(Restated)
Revenue	**4,520**	**–**	**16,670**	**7,746**	**–**	**28,936**
Segment gross profit	**575**	**–**	**11,747**	**640**	**–**	**12,962**
Segment operating profit/(loss)	**719**	**(519)**	**2,847**	**(351)**	**(1,077)**	**1,619**
Segment finance costs	**(1,152)**	**–**	**(765)**	**(296)**	**(1,403)**	**(3,616)**
Segment profit/(loss) before income tax	**(433)**	**(519)**	**2,083**	**(648)**	**(2,480)**	**(1,997)**
Segment income tax expense	**–**	**–**	**(383)**	**(2)**	**–**	**(385)**
Segment profit/(loss) for the period	**(433)**	**(519)**	**1,700**	**(650)**	**(2,480)**	**(2,382)**
For the year ended 31 December 2008						
Revenue	9,090	–	37,022	18,941	–	65,053
Segment gross profit/(loss)	184	–	26,024	2,409	–	28,617
Segment operating profit/(loss)	1,002	(1,231)	7,290	390	(2,595)	4,856
Segment finance costs	(2,383)	–	(1,362)	(408)	(2,766)	(6,919)
Segment loss before income tax	(1,381)	(1,231)	5,928	(18)	(5,361)	(2,063)
Segment income tax expense	–	–	(756)	(33)	(122)	(911)
Segment profit/(loss) for the period	(1,381)	(1,231)	5,172	(51)	(5,483)	(2,974)

Note 1: Previously, when the Lansen Pharmaceutical Holdings Limited Group and the Xian Haotian Bio-Engineering Technology Co. Ltd. Group were both in the developmental stage, and their operation results were not significant, it was more meaningful to aggregate their results together. However, since they have now evolved into sizable independent businesses, we decided to show their operation results separately in different columns (pharmaceutical and health care respectively) to give due recognition to their individual contributions to the Company.

Note 2: Because of differences in accounting treatment between the health care operation's half year and full year accounts for 2008, the health care operation's numbers have been restated as explained below in the section headed "Health Care Business". The restatement, however, is solely for comparison purposes, and does not affect health care operation's 2008 accounts.

Chairman's Interim Statement

The Group recorded an operating profit of USD2,646,000 [2008: profit of USD1,619,000 (restated)]. The pharmaceutical production, marketing and distribution businesses continued to grow rapidly and achieved an operating profit of USD4,260,000 [(2008: USD2,847,000)]. The health care business achieved an operating profit of USD208,000 [2008: loss of USD351,000 (restated)]. Corporate office expenses and salaries have been quite stable compared to the same period last year.

The Group's profit before income tax for the six month period was USD552,000 [2008: loss of USD1,997,000 (restated)]. The shift to profit was mainly due to increased contributions from the pharmaceutical businesses and a reduction in finance costs.

The finance costs for the six month period were USD2,094,000 [2008: USD3,616,000 (restated)]. The decrease was due to lower interest rates on bank facilities.

The Group's after tax loss before minority interests for the six month period was USD171,000 [2008: loss of USD2,382,000 (restated)]. The large tax expense is a result of the Group's subsidiaries operating as different business entities, not being able to offset profits against losses with another.

PHARMACEUTICAL BUSINESS

Lansen Pharmaceutical Holdings Limited and its subsidiaries (the "Lansen Group")

The Lansen Group is engaged in the production, marketing and distribution of prescription drugs, primarily in the treatment of rheumatic disease.

The Lansen Group continues to be a major contributor to the Group's pharmaceutical business. This business grew by 25% when compared to the same period in 2008 (2008 over 2007: 66%).

The gross profit margin of the Lansen Group's pharmaceutical business was 68% (2008: 70%).

HEALTH CARE BUSINESS

Xian Haotian Bio-Engineering Technology Co. Ltd. and its group companies (the "Xian Haotian Group")

The Xian Haotian Group has been focused on the manufacture, marketing and sale of plant extracts used as various active ingredients in food, beverage, cosmetics, dietary supplements and health care products. Going forward, the Xian Haotian Group's principal business will be in the manufacture, marketing and sales of inositol, a key ingredient for health care products, the facilities required for which are under construction.

A restatement of comparative figures of health care businesses for the six month period ended 30 June 2008 has been included for comparision purposes only. The inositol project of the Xian Haotian Group was going through a construction period in 2008 and the construction and related costs for the entire year ended 31 December 2008 were capitalised at year end. However, the portion of such costs relating to the six months ended 30 June 2008 (USD233,000), which should have been capitalised during such period, was not capitalised until the year end. Accordingly, the comparative figures for the six months ended 30 June 2008 have now been restated and the costs so capitalised show a decrease in loss of USD233,000 for such period. Such restatement is made for comparison purposes only and does not affect the results for the year ended 31 December 2008.

Chairman's Interim Statement

During the first six months of 2009 the Xian Haotian Group continued its investment, primarily in the construction of the inositol project. The inositol project is now in the final stage of construction.

Apart from the inositol project, the Xian Haotian Group's existing business grew by 12% when compared to the same period in 2008.

The Company and the shareholders of the Xian Haotian Group have in principle agreed to extend the expiry date for the put and call option arrangements. The actual date is expected to be determined after the completion of the first phase of the construction and with reference to the progress in the trial production and fine tuning of production process.

CROWNE PLAZA HOTEL & SUITES LANDMARK SHENZHEN

The Shenzhen hotel industry remains highly competitive. In addition, the hotel industry in China was adversely affected by the international economic downturn and the H1N1 disease. The number of foreign visitors and business travellers has reduced. This in turn led to lower than expected occupancy levels at our hotel.

The hotel achieved an average occupancy rate of 49% (2008: 43%) and an average room rate of USD109 (2008: USD130) for the first six months of 2009. The hotel's profit from operations before finance costs for the first six months of 2009 was USD214,000 (2008: USD719,000). The decrease was mainly due to a decrease in profit margin on rooms by 4%.

In accordance with our usual practice, the Group will conduct an annual valuation of the hotel at the year end.

CORPORATE EXPENSES

The Group's corporate expenses increased to USD1,686,000 (2008: USD1,077,000). This was mainly due to a lesser foreign exchange gain of USD22,000 (2008: USD699,000). Apart from this, the Group's corporate expenses were reduced by USD68,000.

CONCLUSION

The Board believes that it is well positioned for continued expansion in the pharmaceutical and health care industries in China. As to the hotel business, the Board believes that as the world economy and business travel start to recover, it should show improved results.

On behalf of the Board, I would like to thank our management and staff for their continued dedication and commitment.

Sum Soon Lim
Chairman

26 August 2009

Group Condensed Statement Of Comprehensive Income

	Note	**Six months ended 30 June 2009 (Unaudited) USD'000**	Six months ended 30 June 2008 (Unaudited and restated) USD'000	Year ended 31 December 2008 (Audited) USD'000
Revenue	3	**33,839**	28,936	65,053
Cost of sales		**(17,982)**	(15,974)	(36,436)
Gross profit		**15,857**	12,962	28,617
Other income		**521**	989	2,287
Selling and distribution expenses		**(8,104)**	(6,812)	(15,353)
Administrative expenses		**(5,628)**	(5,520)	(10,695)
Profit from operations		**2,646**	1,619	4,856
Finance costs		**(2,094)**	(3,616)	(6,919)
Profit/(loss) before income tax	3	**552**	(1,997)	(2,063)
Income tax expense	4	**(723)**	(385)	(911)
Loss for the period		**(171)**	(2,382)	(2,974)
Other comprehensive (loss)/income				
Exchange differences on translating foreign operations		**(700)**	587	1,620
Deficit on revaluation of hotel properties		**–**	–	(3,471)
Other comprehensive (loss)/income, net of tax		**(700)**	587	(1,851)
Total comprehensive (loss)/income for the period		**(871)**	(1,795)	(4,825)
Loss for the period attributable to:				
Owners of the parent		**(415)**	(2,229)	(3,369)
Minority interests		**244**	(153)	395
		(171)	(2,382)	(2,974)
Total comprehensive income attributable to:				
Owners of the parent		**(1,115)**	(1,578)	(5,136)
Minority interests		**244**	(217)	311
		(871)	(1,795)	(4,825)
Loss per share attributable to owners of the parent	5			
Basic		**(0.15) cents**	(0.81) cents	(1.22) cents
Diluted		**N/A**	N/A	N/A

All operations arise from continuing activities.

Group Condensed Statement of Financial Position

	As at 30 June 2009 (Unaudited) USD'000	As at 30 June 2008 (Unaudited and restated) USD'000	As at 31 December 2008 (Audited) USD'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	**158,362**	153,536	156,137
Land use rights	**3,053**	3,099	3,090
Investment property	**1,559**	1,553	1,560
Intangible assets	**3,051**	1,386	2,550
Goodwill	**10,065**	9,156	10,012
Loans to minority shareholders	**15**	645	380
	176,105	169,375	173,729
CURRENT ASSETS			
Inventories	**12,644**	8,336	8,997
Trade and other receivables	**38,798**	18,996	35,600
Investments	**385**	–	385
Land use rights	**68**	67	68
Pledged bank deposits	**152**	6,556	878
Cash and cash equivalents	**8,831**	11,483	15,763
	60,878	45,438	61,691
TOTAL ASSETS	**236,983**	214,813	235,420
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	**60,629**	64,484	61,578
MINORITY INTERESTS	**10,322**	9,547	10,630
TOTAL EQUITY	**70,951**	74,031	72,208
NON-CURRENT LIABILITIES			
Borrowings	**67,122**	50,536	69,030
Deferred tax liabilities	**20,544**	16,992	20,399
	87,666	67,528	89,429
CURRENT LIABILITIES			
Borrowings	**31,629**	29,998	31,667
Current tax liabilities	**729**	608	528
Trade and other payables	**46,008**	42,648	41,588
	78,366	73,254	73,783
TOTAL LIABILITIES	**166,032**	140,782	163,212
TOTAL EQUITY AND LIABILITIES	**236,983**	214,813	235,420

Group Condensed Statement of Changes in Equity

	Attributable to owners of the parent								Minority Interests	Total Equity
	Share Capital USD'000	Share Premium USD'000	Capital and Special Reserve USD'000	Revaluation Reserve USD'000	Exchange Equalisation Reserve USD'000	Statutory Reserve USD'000	Profit And Loss Account USD'000	Total USD'000	USD'000	USD'000
Balance at 1 January 2009	13,793	10,216	97,502	11,056	(25,047)	1,883	(47,825)	61,578	10,630	72,208
Acquisition of minority interests	–	–	–	–	–	–	–	–	(34)	(34)
Dividend payable to minority shareholders	–	–	–	–	–	–	–	–	(327)	(327)
Capital injection from minority shareholders	–	–	–	–	–	–	–	–	11	11
Redeem shares from minority interests	–	–	166	–	–	–	–	166	(202)	(36)
Transactions with owners	–	–	166	–	–	–	–	166	(552)	(386)
(Loss)/profit for the period	–	–	–	–	–	–	(415)	(415)	244	(171)
Other comprehensive income:										
Exchange differences arising on translation of foreign currency operations	–	–	–	(24)	(676)	–	–	(700)	–	(700)
Total comprehensive income for the period	–	–	–	(24)	(676)	–	(415)	(1,115)	244	(871)
Balance at 30 June 2009	13,793	10,216	97,668	11,032	(25,723)	1,883	(48,240)	60,629	10,322	70,951
Balance at 1 January 2008	13,793	10,216	42,923	63,429	(21,692)	1,849	(44,456)	66,062	9,784	75,846
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	104	104
Adjustments on goodwill	–	–	–	–	–	–	–	–	(124)	(124)
Transactions with owners	–	–	–	–	–	–	–	–	(20)	(20)
Loss for the period	–	–	–	–	–	–	(2,229)	(2,229)	(153)	(2,382)
Other comprehensive income:										
Exchange differences arising on translation of foreign currency operations	–	–	–	4,689	(4,149)	111	–	651	(64)	587
Total comprehensive income for the period	–	–	–	4,689	(4,149)	111	(2,229)	(1,578)	(217)	(1,795)
Balance at 30 June 2008 (restated)	13,793	10,216	42,923	68,118	(25,841)	1,960	(46,685)	64,484	9,547	74,031
Balance at 1 January 2008	13,793	10,216	42,923	63,429	(21,692)	1,849	(44,456)	66,062	9,784	75,846
Adjustments on goodwill	–	–	–	–	–	–	–	–	(219)	(219)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	965	965
Capital injection from minority interests	–	–	652	–	–	–	–	652	206	858
Dividend payable to minority shareholders	–	–	–	–	–	–	–	–	(270)	(270)
Redeem shares from minority interests	–	–	–	–	–	–	–	–	(147)	(147)
Transfer of reserve	–	–	53,927	(53,927)	–	–	–	–	–	–
Transactions with owners	–	–	54,579	(53,927)	–	–	–	652	535	1,187
(Loss)/profit for the year	–	–	–	–	–	–	(3,369)	(3,369)	395	(2,974)
Other comprehensive income:										
Exchange differences arising on translation of foreign currency operations	–	–	–	5,025	(3,355)	34	–	1,704	(84)	1,620
Deficit on revaluation of hotel properties	–	–	–	(3,471)	–	–	–	(3,471)	–	(3,471)
Total comprehensive income for the year	–	–	–	1,554	(3,355)	34	(3,369)	(5,136)	311	(4,825)
Balance at 31 December 2008	13,793	10,216	97,502	11,056	(25,047)	1,883	(47,825)	61,578	10,630	72,208

Group Condensed Statement of Cash Flows

	Six months ended 30 June 2009 (Unaudited) USD'000	Six months ended 30 June 2008 (Unaudited and restated) USD'000	Year ended 31 December 2008 (Audited) USD'000
Net cash (used in)/generated from operating activities	**(920)**	5,509	(11,850)
Net cash used in investing activities	**(3,361)**	(5,774)	(3,956)
Net cash (used in)/generated from financing activities	**(1,918)**	(756)	19,167
Net (decrease)/increase in cash and cash equivalents	**(6,199)**	(1,021)	3,361
Effects of exchange rate changes	**(638)**	1,252	1,182
Cash and cash equivalents at beginning of the period	**15,668**	11,125	11,125
Cash and cash equivalents at end of the period	**8,831**	11,356	15,668
Analysis of cash and cash equivalents			
Cash and bank balances	**8,831**	11,483	15,763
Bank overdrafts	**–**	(127)	(95)
	8,831	11,356	15,668

Notes to the Accounts

1. BASIS OF PREPARATION

The interim condensed financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting and under the historical cost convention, modified where appropriate to incorporate a professional valuation of certain fixed assets.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008 except for the adoption of IAS 1 Presentation of Financial Statements (Revised 2007) and IFRS 8 Operating Segments. Certain comparative figures for the period ended 30 June 2008 in condensed financial statements have been reclassified to conform to the current period's presentation.

The adoption of IAS 1 (Revised 2007) does not affect the financial position or profits of the Group, but gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses are unchanged, however some items that were recognised directly in equity are now recognised in other comprehensive income, for example, revaluation of hotel properties. IAS 1 (Revised 2007) affects the presentation of owner changes in equity and introduces a "Statement of comprehensive income".

The adoption of IFRS 8 has changed the segments that are disclosed in the interim financial statements. In the previous annual and interim financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. Under IFRS 8 the accounting policy for identifying segments is now based on the internal management reporting information that is regularly reviewed by the chief operating decision maker.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these condensed consolidation interim financial statements.

2. RESTATEMENT OF PRIOR PERIOD INTERIM

A restatement of comparative figures of health care businesses for the six month period ended 30 June 2008 has been included for comparision purposes only. The inositol project of the Xian Haotian Group was going through a construction period in 2008 and the construction and related costs for the entire year ended 31 December 2008 were capitalised at year end. However, the portion of such costs relating to the six months ended 30 June 2008 (USD233,000), which should have been capitalised during such period, was not capitalised until the year end. Accordingly, the comparative figures for the six months ended 30 June 2008 have now been restated and the costs so capitalised show a decrease in loss of USD233,000 for such period. Such restatement is made for comparison purposes only and does not affect the results for the year ended 31 December 2008.

Notes to the Accounts

3. SEGMENTAL INFORMATION

	Six months ended 30 June 2009 (Unaudited) USD'000	Six months ended 30 June 2008 (Unaudited and restated) USD'000	Year ended 31 December 2008 (Audited) USD'000
Revenue			
Pharmaceutical:			
Research & Development	**–**	–	–
Production, Marketing & Distribution	**20,872**	16,670	37,022
Health Care Operations	**8,638**	7,746	18,941
Hotel Operations	**4,329**	4,520	9,090
	33,839	28,936	65,053
Profit/(loss) before income tax			
Pharmaceutical:			
Research & Development	**(375)**	(519)	(1,231)
Production, Marketing & Distribution	**4,066**	2,083	5,928
Health Care Operations	**(37)**	(648)	(18)
Hotel Operations	**(558)**	(433)	(1,381)
Corporate Office/Unallocatd	**(2,544)**	(2,480)	(5,361)
	552	(1,997)	(2,063)

4. INCOME TAX EXPENSE

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

5. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

Loss per share is based upon the loss after tax attributable to owners of USD415,000 for the six months ended 30 June 2009 [six months ended 30 June 2008: loss of USD2,229,000 (restated)] and the weighted average number of A shares and common shares in issue during the period of 11,726,915 and 264,133,189 respectively (30 June 2008: 11,800,049 and 264,060,055 respectively).

No diluted earnings per share is presented, as the Company did not have any potential ordinary shares outstanding.

Notes to the Accounts

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Each of the directors confirms that, to the best of his knowledge:

i the condensed set of financial statements, which has been prepared in accordance with the International Financial Reporting Standards and IAS 34 Interim Financial Reporting, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, or the undertakings included in the consolidation as a whole;

ii the interim management report includes a fair review of the information required by the Disclosure and Transparency Rules 4.2.7R, and;

iii the interim management report includes a fair review of the information required by the Disclosure and Transparency Rules 4.2.8R.

PUBLICATION OF NON-STATUTORY ACCOUNTS

The unaudited interim results do not constitute full accounts prepared in accordance with the listing rules of the UK Financial Services Authority. The figures for the year ended 31 December 2008 have been based on the full accounts of the Company which were prepared under IFRS and which included an unqualified audit report. The interim financial information in this report has been neither audited nor reviewed by the Company's auditors.

Copies of this report have been sent to shareholders and are available to the public from the Company's UK Transfer Agents, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.