Cathay International Holdings Ld - CTI Annual Results for the Year Ended 31 December 2018
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Cathay International Holdings Ld
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Cathay International Holdings Limited
("Cathay" or the "Company" or together with its subsidiaries, the "Group")

Annual Results for the Year Ended 31 December 2017

Hong Kong, 9 April 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 Annual Results for the year ended 31 December 2017.

Group Financial Highlights

- Revenue decreased by 2.6% to USD115.3 million (2016: USD118.4 million)
- Gross profit decreased by 7.5% to USD53.0 million (2016: USD57.3 million)
- Operating profit decreased to USD0.5 million (2016: USD3.1 million)
- Gross profit margin decreased to 46.0% (2016: 48.4%)
- Finance costs increased to USD10.2 million (2016: USD8.6 million)
- Share of profits from Zhejiang Starry Pharmaceutical Company Limited ("Starry") was USD1.7 million (2016: USD1.7 million)
- Non-operating items:
  - Received proceeds of USD2.6 million relating to the insurance claim for damaged inventories fully written off in 2015
  - Disposal of 3.5% equity interest in Starry which resulted in a net gain of USD15.4 million
  - Provision for out of court settlement with Shenzhen Netptunus Pharmaceutical Company Limited's gingko claim of USD4,637,000
- Profit for the year was USD0.7 million (2016: Loss of USD10.2 million)
- Loss attributable to owners of the parent decreased to USD6.9million (2016: USD11.8 million)
- Net assets increased slightly to USD150.4 million (2016: USD149.2 million)

Lansen

- Revenue decreased to USD89.5 million (2016: USD94.8 million) mainly due to a decrease in sales from cosmeceutical and health products but partly offset by the increase in pharmaceutical sales

- Pharmaceutical sales were up 5.8% to USD68.2 million (2016: USD64.5 million), mainly from Pafulin's sales which grew by 15.2% to USD50.5 million (2016: USD43.8 million)

- Sales of Comfy Collagen Dressing mask (Kefumei) and Yuze skincare products grew by 26.3% to USD7.1 million (2016: USD5.6 million) and 21.0% to USD5.0 million (2016：USD4.1 million) respectively

- Gross profit margin increased to 58.0% (2016: 56.7%)

- Identifying suitable products from its list of Chinese medicine licences to build a portfolio of Chinese Specialty Medicines in line with China's strategy in promoting traditional Chinese medicines

- Established strategic adjustments in response to recently implemented government policies and guidelines around drug pricing and supply and distribution chains

- Appointed a new CEO, Mr. Chen Li, to implement new business strategies

Natural Dailyhealth

- Revenue increased by 45.5% to USD9.0 million (2016: USD6.2 million) following the realignment of businesses between Lansen and Natural Dailyhealth

- Gross profit increased by 24.0% to USD1.6 million (2016: USD1.3 million)

- Completed the filing of ginkgo extract with China Food and Drug Administration

- In going downstream, completed licence applications for 26 health supplement products, expected to be approved starting in H2 2018, with plans to apply for another 23 health licences in 2018

Botai

- Under the revised distribution agreement entered in March 2017, Botai continues to sell Fillderm to Lansen

- Set up its own sales team to sell Fillderm in selected markets via agreements with other partners and distributers

- Working on development of small molecule collagen masks to enrich the product line

Haizi

- Lower production and sales of inositol due to lower production of raw material (phytin) as a result of low organophosphorus in corn fluid supplied by the corn starch manufacturers; coupled with low inositol market price, revenue decreased by 16.7%

- Rectified the corn fluid issue and completed the development of food grade DCP

- Focused on fine tuning the quality and colored impurities of food grade DCP and started test marketing in late 2017

Hotel

- Revenue increased by 6.6% to USD13.6 million (2016: USD12.8 million)

- Room occupancy increased to 73.2% (2016: 69.4%)

- Food and beverage revenue increased to USD4.2 million (2016: USD3.7 million)

- Gross profit increased by 21.2% to USD2.8 million (2016: USD2.3 million)

- Operating profit increased by 23.7% to USD2.7 million (2016: USD2.2 million)

- Gross profit margin increased to 20.3% (2016: 17.9%)

Commenting on the annual results, Mr. Lee Jin-Yi, CEO of Cathay International Holdings Limited said: *"Our core focus continues to be on the development of our different business units in order to create sustained growth. We have continued to diversify our business, expand the portfolio and create synergies within the different segments to take into account the changing economic and regulatory environment in China. I would like to thank our shareholders for their support, the past years have been challenging, but I am optimistic that the Group is moving in the right direction to deliver value for shareholders over the long term."*

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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 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.

Chairman's Statement

The Group continues to focus on businesses with sustained growth potential in China's fast growing economic environment. This focus continues to be on the development of its pharmaceutical, healthcare and cosmetics segments and, as in previous years, the Group's largest contribution comes from the pharmaceutical business with the healthcare and cosmetic sectors still being in the early stages of growth.

During the year, Group revenue decreased by 2.6% to USD115.3 million (2016: USD118.4 million). Group recorded net profit of USD0.7 million in 2017, as compared with a net loss of USD10.2 million in 2016. Group loss attributable to owners of the parent company reduced to USD6.9 million, compared to USD11.8 million in 2016.

Pharmaceutical segment

The PRC government has recently implemented policies and guidelines to reduce drug prices and simplify drug supply and distribution chains. In response to these policies, Lansen has drawn up some strategic adjustments which it will gradually start to implement.

For specialty drugs, Lansen aims to expand its hospital coverage and, as such, has started to reorganise its sales team and optimise its incentive scheme to sales staff. In addition, Lansen also plans to manage down its expenses and enhance efficiency in order to improve its competitiveness and profitability.

It is currently a national strategy in China to put emphasis on the development of traditional Chinese medicines. Lansen is exploring its own list of Chinese patent medicines and will devote more resources to feature these pharmaceuticals in its product portfolio, enhancing its efforts on expanding the retail market whilst also maintaining sales to hospitals. These "traditional" pharmaceuticals are expected to be less price sensitive to government policies than specialty drugs.

Lansen plans to gradually diversify from its current, single core specialty drug product to build a portfolio of core products comprising of specialty drugs and featured pharmaceuticals. Meanwhile, Lansen intends to improve its hospital coverage of pharmaceutical products and implement stringent control on expenses in order to upgrade the product structure, income structure and profitability of the pharmaceutical segment.

On 1 March 2018, Mr. Chen Li ("Mr. Chen") took over as Chief Executive Officer of Lansen and will actively promote the business development of Lansen and implement Lansen's new business strategies.

Healthcare segment

Haizi

A key project of the Group's healthcare segment is Haizi's inositol and di-calcium phosphate ("DCP") production with Haizi's strategy to become one of the largest high-quality inositol suppliers and the only volume producer of plant-based, food grade, DCP in the world. Haizi has been progressing with these objectives over the past few years and, although the initial progress was slower than expected, the research and development, plant construction and trial production phases were largely completed in 2017.

Haizi's food grade DCP will be marketed globally and the initial production level will be determined by the number of sales orders received on market entrance. Any excess DCP capacity post fulfilling the initial demand for food grade DCP, will be utilised as feed grade production. It is expected that when the production and sales volume of food grade DCP reach scale, the overall cost competitiveness of Haizi's inositol and DCP business will surpass the industry standard.

In 2017, the Group's phytin plants focused on two projects: (i) to study, alongside its starch factory supplier of corn fluid, the optimum selection and fermentation time of enzymes needed to meet starch factory's production requirement and to provide Haizi maximum level of organic phosphorus in the corn fluid; and (ii) the level of modifications required in the phytin plants for the production of food grade DCP. Both projects have almost been completed but the projects did mean the overall production volume of phytin in 2017 was reduced, resulting in the lower production of inositol and DCP.

During the year, the average market price of inositol fell to USD5 per kg (2016: USD6 per kg). However, due to underproduction of starch factories and rising environmental measures in the China market, market supply of phytin decreased, and the inositol price began to increase in the fourth quarter of 2017.

Natural Dailyhealth

Natural Dailyhealth's strategy is to generate stable cash flow and profits through the production and sales, of bulk ingredients for healthcare supplements and gradually expand, downstream, to healthcare products.

Natural Dailyhealth aims to market high quality plant extracts products or to offer customised plant extracts to large and high end pharmaceutical companies which should generate reasonable profit and stable cash flow for its development of downstream business. During the year, Natural Dailyhealth completed the filing of ginkgo extract with China Food and Drug Administration ("CFDA") and it is in the process of being certified by targeting pharmaceutical customers on a case-by-case basis. Natural Dailyhealth also achieved a breakthrough in its business negotiations with several large customers of choline glycerophosphate products.

Natural Dailyhealth is actively preparing its downstream healthcare business with 26 healthcare product applications completed and a further 23 applications currently being prepared. The completed applications are expected to start being approved from 2018 onward. Natural Dailyhealth intends to implement its strategic plan through cooperation with internationally renowned brands of healthcare products, investment in healthcare product factories and OEM production.

In 2018, Natural Dailyhealth is committed to improving its production efficiency of health supplement ingredients; strictly controlling expenses; striving to develop high-end pharmaceutical customers and expanding the customised business whilst also actively promoting the research and development of downstream healthcare products.

Cosmetics segment

The Group began to build its cosmetic business through the sales of Fillderm, the only collagen injectable product approved by the CFDA in China. After two years of market exploration, the Group has decided to market Fillderm through two complementary channels: Botai will sell Fillderm to aesthetic clinics through cooperation with partners and distributors, where Fillderm will compete with other injectable type products in the market. Lansen, on the other hand, will acquire and run aesthetic clinics to bring in customers through franchise cooperations with cosmetology salons, where Fillderm will be the only injectable type product there.

The Group will focus on developing non-medical cosmetic products in 2018. By cooperating with agents, independent research and development institutes and third parties, the Group plans to develop cosmetic products including facial masks and skin care products. Completing the product line will play a positive role in the cooperation with cosmetics institutions, expansion of customer base and wider market coverage, which in turn would have synergies with Fillderm.

Investment

On 15 March 2017, Lansen disposed 4,175,000 Starry shares at a price of RMB43.11 per share for aggregate proceeds of RMB180.0 million (equivalent to USD26.1 million, before deducting transaction costs and related tax). The disposal bought cash flow to the Group and was beneficial to the operation of the Group. The Group plans to continue reducing its holding in Starry shares as and when appropriate in 2018.

Hotel

The hotel achieved strong results in 2017 following the rapid development of Shenzhen's economy. Occupancy rates increased to 73.2% from 69.4% in 2016 and overall income increased by 6.6%. The Group will focus on improving food quality, increasing food and beverage sales and profitability, as well as raising room prices in order to increase the overall profitability of the hotel in 2018.

Finally, I would like to express my gratitude to our shareholders and the directors for their continuous support. During the coming year, management will continue its efforts to complete the Group's ongoing business development strategy.

Wu Zhen Tao
Chairman

Financial and Operation Review

Group Results

Group's revenue decreased by 2.6% to USD115,338,000 compared to last year. Due to a decrease in the sales of Collagen Injectable Fillers ("Fillderm") and plant extract products, Lansen's sales were USD86,379,000 (2016: USD92,833,000). Haizi's sales of inositol and DCP were USD6,845,000 (2016: USD8,140,000) mainly due to lower inositol market price in 2017. The average price of Inositol dropped to USD5 per kg, compared to USD6 per kg in 2016. Natural Dailyhealth's sales continued to increase to USD8,306,000 (2016: USD4,674,000) resulted from the synergy with Lansen. Hotel revenue grew by 6.6% to USD13,604,000 (2016: USD12,756,000).

Group's gross profit decreased by 7.5% to USD53,014,000 (2016: USD57,282,000), mainly due to lower Fillderm sales and the lower inositol market price. Gross profit at Lansen decreased to USD51,889,000 (2016: USD53,776,000) and the gross loss of Haizi increased to USD3,027,000 (2016: USD1,784,000). Botai's gross profit decreased to USD619,000 (2016: USD1,864,000) due to slower market penetration of Fillderm. Natural Dailyhealth and Hotel's gross profit increased to USD1,610,000 (2016: USD1,298,000) and USD2,763,000 (2016: USD2,280,000) respectively. Group's gross profit margin decreased to 46.0% (2016: 48.4%) mainly due to the lower profit margin of Haizi resulting from the lower inositol market price. Lansen reported a slight increase in profit margin due to a larger proportion of sales coming from high margin pharmaceutical products.

Group's operating profit decreased by USD2,574,000 to USD480,000 (2016: USD3,054,000) due to a decline of operating profits from Lansen and an increase in operating loss from Haizi, Natural Dailyhealth and Botai. This was, however, partially offset by the increase in the hotel's operating profit. The decrease in corporate expenses was mainly due to a reversal of share option expenses of USD944,000 (2016: USD450,000).

Group's finance costs increased by 18.4% to USD10,167,000 (2016: USD8,585,000) due to the increase in the effective LIBOR borrowing rate and the expensing of the unamortised bank fee (USD608,000) on a facility refinance prior to its maturity. Interest expense capitalised during the year was USD266,000 (2016: nil). The effective interest rate was 4.50% (2016: 4.25%).

Group's share of profits from Starry, a 12.6% owned associate company primarily engaged in the production and sales of iohexal for X-CT scanners, was maintained at USD1,731,000 (2016: USD1,720,000) even with the disposal of 3.5% equity interest in Starry in March 2017.

During the year, the Group received insurance proceeds of USD2,565,000 against Lansen's stock loss caused by flood in 2015. The Group also reached an out of court settlement with Shenzhen Neptunus Pharmaceutical Company Limited and made a provision of USD4,637,000 against its gingko claim.

Group's profit for the year was USD656,000 (2016: loss of USD10,233,000). After deducting the non-controlling interests of Lansen, Group's loss for the year attributable to owners of the parent was USD6,921,000 (2016: USD11,816,000).

	Healthcare				Hotel Operations	Corporate Office	Inter-segment Elimination	Total
(stated in USD'000)	**Lansen**	**Haizi**	**Natural Dailyhealth**	**Botai**				
For year ended 31 December 2017								
REVENUE								
External sales	86,379	6,845	8,306	204	13,604	-	-	115,338
Inter-segment sales	3,105	69	720	1,221	-	-	(5,115)	-
Segment revenue	89,484	6,914	9,026	1,425	13,604	-	(5,115)	115,338
Segment gross profit/(loss)	51,889	(3,027)	1,610	619	2,763	-	(840)	53,014

Segment operating profit/(loss)	9,984	(5,364)	(1,463)	(903)	2,661	(4,273)	(162)	480
Segment non-operating income/(expenses)	10,874	(38)	(142)	(272)	-	(385)	-	10,037
Segment fair value loss on derivative financial instrument	(564)	-	-	-	-	-	564	-
Segment finance costs	(4,016)	(973)	-	(147)	(1,099)	(4,066)	134	(10,167)
Segment share of post-tax profit of associate	1,295	-	-	-	-	-	436	1,731
Segment profit/(loss) before income tax	17,573	(6,375)	(1,605)	(1,322)	1,562	(8,724)	972	2,081
Segment income tax expense	(1,416)	(9)	-	-	-	-	-	(1,425)
Segment profit/(loss) for the year before non-controlling interests	16,157	(6,384)	(1,605)	(1,322)	1,562	(8,724)	972	656
Segment profit/(loss) for the year attributable to owners of the parent	8,430	(6,381)	(1,169)	(1,175)	1,562	(8,724)	536	(6,921)
For year ended 31 December 2016								
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)	11,564	(5,180)	(1,037)	266	2,152	(4,720)	9	3,054
Segment non-operating expenses	(3,221)	-	-	(738)	-	-	600	(3,359)
Segment fair value gain on derivative financial instrument	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	7,559	(5,834)	(1,037)	(475)	1,364	(8,493)	(254)	(7,170)
Segment income tax expense	(3,190)	146	(19)	-	-	-	-	(3,063)
Segment profit/(loss) for the year before non-controlling interests	4,369	(5,688)	(1,056)	(475)	1,364	(8,493)	(254)	(10,233)
Segment profit/(loss) for the year attributable to owners of the parent	2,472	(5,685)	(790)	(164)	1,364	(8,493)	(520)	(11,816)

Group's Net Assets and Gearing

The Group's assets decreased by USD1,491,000 to USD436,592,000 (2016: USD438,083,000) mainly due to decrease in trade receivables and interest in associate but partly offset by revaluation surplus on the hotel property and increase in plant and equipment. The Group's liabilities also decreased by USD2,726,000 to USD286,200,000 (2016: USD288,926,000) mainly due to decrease in bank borrowings and trade and bills payables but partly offset by increase in deferred tax liabilities and other payables.

Net current liabilities were USD58,771,000 (2016: USD56,833,000) and cash and cash equivalents decreased slightly to USD13,237,000 (2016: USD14,338,000).

The Group's net assets at 31 December 2017 were USD150,392,000 (2016: USD149,157,000). Net assets per share at 31 December 2017 were USD0.39 (2016: USD0.39).

The Group's carrying amount of Starry was USD28,164,000 under the equity accounting basis. Based on Starry's closing price on 31 December 2017, the market value of the investment in Starry was approximately USD67,233,000. The difference between the carrying value and the market value of Starry was not included in the consolidated financial statements.

The Group reduced its net borrowings to USD157,944,000 (2016: USD165,920,000) mainly due a net decrease of USD11,499,000 and USD4,022,000 in Lansen and in Corporate Office respectively while Haizi and Botai increased their borrowings by USD5,186,000 and USD2,034,000 respectively. Net gearing ratios for the Group and Lansen were 105.6% (2016: 110.7%) and 56.5% (2016: 75.1%). Taking Starry's market value as at 31 December 2017 into consideration, Group's net gearing ratio was 83.8%.

Lansen

Lansen's revenue decreased to USD89,484,000 from USD94,824,000. There was an increase in pharmaceutical sales which was offset by a decrease in sales from cosmeceutical and health products.

Sales from pharmaceutical products was up 5.8% to USD68,229,000 (2016: USD64,460,000), of which Pafulin's sales grew by 15.2% to USD50,454,000 (2016: USD43,790,000), sales of MMF tablets were down 19.3% to USD4,133,000 (2016: USD5,124,000) and sales of Hepai decreased by 5.3% to USD2,345,000 (2016: USD2,228,000). Sales of Bio-Rad and Sicorten Plus were USD872,000 (2016: USD 1,375,000) and USD3,385,000 (2016: USD4,697,000) respectively. Generic drugs sales were down by 8.6% to 6,569,000 (2016: USD7,190,000).

Sales of cosmeceutical products decreased by 26.9% mainly due to the market inventories of the new product Fillderm is still in the digestion stage. To accelerate Fillderm sales, Lansen and Botai will target different distribution channels. Lansen will establish its own aesthetic clinics in key cities and work with cosmeceutical beauty care providers to serve their customers. While Botai has established a sales team to work with aesthetic clinics only. Sales of Comfy Collagen Dressing mask (Kefumei) and Yuze brand skincare products continued to grow and went up by 26.3% to USD7,109,000 (2016: USD5,629,000) and 21.0% to USD5,015,000 (2016： USD4,144,000) respectively. In January 2017, Lansen signed an agency agreement with Robustnique Corporation Limited to sell its Bribrilliant brand cosmetic products in China and Lansen sold USD1,072,000 worth of Bribrilliant products during the year. It is expected that the implementation of two-invoices system introduced by the Chinese government, will have an adverse impact on the sales of Kefumei in 2018.

Sales of healthcare products (including plant extract and healthcare products) decreased by 34.6% to USD8,059,000 (2016: USD12,315,000) due to the strategic realignment in production capacity and management structure of the plant extract business within the Group.

Lansen's gross profit decreased by 3.5% to USD51,889,000 (2016: USD53,776,000) mainly due to lack of Fillderm sales this year but partly offset by strong sales in Pafulin. The gross profit margin increased to 58.0% (2016: 56.7%) mainly due to higher proportion of high gross margin Pafulin sales. The gross profit margin for pharmaceutical product decreased to 67.2% (2016: 69.3%) mainly due to decrease in Pafulin selling price in winning new hospital tender contracts.

Lansen's operating profit decreased to USD9,984,000 (2016: USD11,564,000). Operating profit margin maintained at 11.2% (2016: 12.2%). Administrative expenses decreased to 13.7% of revenue (2016: 15.9%) due to a reduction in one-off items in 2017.

During the year, Lansen sold 4,175,000 Starry shares and made a gain of USD15,422,000. As at 31 December 2017, Lansen still holds 15,175,000 shares in Starry. Lansen received insurance proceeds of USD2,565,000 against a stock loss claim caused by flood in 2015. Lansen also provided USD4,637,000 as settlement against the ginkgo claim by Shenzhen Neptunus Pharmaceutical Company Limited. Certain intangible assets of USD2,476,000 (2016: USD1,546,000) were written off and impaired. Net effects of one-off items was profit of USD10,874,000 (2016: loss of USD3,221,000).

Botai

Under the revised distribution agreement entered in March 2017, Botai continues to sell Fillderm to Lansen. In addition, Botai began to set up its own sales team in March 2017 to sell Fillderm in selected markets via agreements with other partners and distributers. Botai has also worked on developing small molecule collagen masks mainly for Fillderm customers to enrich the product line.

Botai's revenue was USD1,425,000 (2016: USD2,433,000). Its gross profit was USD619,000 (2016: USD1,864,000) and its operating loss was USD903,000 (2016: operating profit was USD266,000).

Natural Dailyhealth

Following the realignment of the plant extract and health supplement businesses between Lansen and Natural Dailyhealth, Natural Dailyhealth's revenue increased by 45.5% to USD9,026,000 (2016: USD6,204,000) mainly due to the increase in sales of choline glycerophosphate extracts. Gross profit increased by 24.0% to USD1,610,000 (2016: USD1,298,000). Operating loss was USD1,463,000 (2016: USD1,037,000) mainly due to the increase of selling and distribution expenses to expand its client base.

Natural Dailyhealth completed the filing of ginkgo extract with the CFDA and is in the process of receiving certification from individual target pharmaceutical customers. Natural Dailyhealth has made licence applications for 26 health supplement products which are expected to be approved starting in the second half of 2018. It also plans to apply for another 23 health supplement product licences in 2018.

Haizi

During the year, Haizi produced 1,090 tonnes (2016: 1,481 tonnes) and sold 1,233 tonnes (2016: 1,252 tonnes) of inositol and produced 6,504 tonnes (2016: 7,894 tonnes) and sold 6,110 tonnes (2016: 6,699 tonnes) of DCP.

During the year, Haizi worked with its starch factory supplier of corn fluid on optimum selection and fermentation time of enzymes to meet each other's production requirements; and modification required in the phytin plants for the production of food grade DCP. It resulted in a drop in the output of phytin and therefore inositol and DCP. Together with the continued decline of average inositol price during the year, Haizi's revenue decreased by 16.7% to USD6,914,000 (2016: USD8,303,000). Haizi's gross loss was USD3,027,000 (2016: USD1,784,000) and operating loss was USD5,364,000 (2016: USD5,180,000).

Management has worked on fine tuning the quality and colored impurities of food grade DCP and started test marketing in late 2017. Haizi will continue to improve its costs by improving capacity utilisation whilst reducing expenses. In addition, the sales price of inositol has started to recover during the fourth quarter of 2017.

Hotel Operations

Benefitting from a strong Shenzhen market, the Hotel's revenue increased by 6.6% to USD13,604,000 (2016: USD12,756,000). Revenues from both rooms, and food and beverage have shown improvement this year and went up by 4.5% and 12.6%. Average room rates maintained at USD113 (2016: USD115) and revenue per room was USD83 (2016: USD80).

Room occupancy increased to 73.2% (2016: 69.4%) due to an increase in transient customers and more bookings from international corporate clients. Food and beverage revenue increased to USD4,166,000 (2016: USD3,700,000) due to an increase in its newly refurbished western restaurant business and strong banquet sales.

The Hotel's gross profit increased by 21.2% to USD2,763,000 (2016: USD2,280,000) and operating profit increased by 23.7% to USD2,661,000 (2016: USD2,152,000). The gross profit margin increased to 20.3% (2016: 17.9%) resulting from growth in room revenue.

Colliers International (Hong Kong) Limited, an independent firm of qualified professional valuers, revalued the Hotel at USD154,000,000 (2016: USD151,000,000). The Company has considered the hotel's current room configuration does not optimise its room revenue and has accordingly drawn up plans to reconfigure its room sizes. Discussions with IHG are well underway. The existing revaluation is based on a best use scenario and the current proposed reconfiguration plan.

The Hotel provides high service quality to its customers and was also frequently rated by Tripadvisor as one of the top 10 hotels in Shenzhen.

In October 2017, a new general manager with strong Southern China experience came on board. The Hotel will continue to improve its quality of service by conducting staff training and continuing to address customers' needs. It will also focus on increasing higher end corporate clients to improve average room rates and its food and beverage business.

Analysis of the Group's Revenue and Gross Profit by Business Sectors

The Group's revenue and gross profits classified into its three focused business sectors, namely, pharmaceutical, healthcare and cosmetics; together with the hotel, were as follows:

	Healthcare				Hotel Operations	Inter-segment Elimination	Total
(stated in USD'000)	**Lansen**	**Haizi**	**Natural Dailyhealth**	**Botai**			
For year ended 31 December 2017							
REVENUE							
Pharmaceutical	68,229	-	-	-	-	-	68,229
Healthcare	8,059	6,914	9,026	-	-	(3,894)	20,105
Cosmetics	13,196	-	-	1,425	-	(1,221)	13,400
Hotel	-	-	-	-	13,604	-	13,604
	89,484	6,914	9,026	1,425	13,604	(5,115)	115,338
GROSS PROFIT/(LOSS)							
Pharmaceutical	45,849	-	-	-	-	-	45,849
Healthcare	1,108	(3,027)	1,610	-	-	(395)	(704)
Cosmetics	4,932	-	-	619	-	(445)	5,106
Hotel	-	-	-	-	2,763	-	2,763
	51,889	(3,027)	1,610	619	2,763	(840)	53,014
For year ended 31 December 2016							
REVENUE							
Pharmaceutical	64,460	-	-	-	-	-	64,460
Healthcare	12,315	8,303	6,204	-	-	(3,684)	23,138
Cosmetics	18,049	-	-	2,433	-	(2,433)	18,049
Hotel	-	-	-	-	12,756	-	12,756
	94,824	8,303	6,204	2,433	12,756	(6,117)	118,403
GROSS PROFIT/(LOSS)							
Pharmaceutical	44,685	-	-	-	-	-	44,685
Healthcare	(85)	(1,784)	1,298	-	-	(245)	(816)
Cosmetics	9,176	-	-	1,864	-	93	11,133
Hotel	-	-	-	-	2,280	-	2,280
	53,776	(1,784)	1,298	1,864	2,280	(152)	57,282

Consolidated Statement of Profit or Loss

	Notes	**2017 USD'000**	2016 USD'000 (Represented)
Revenue	2	**115,338**	118,403
Cost of sales		**(62,324)**	(61,121)
Gross profit		**53,014**	57,282
Other income		**1,483**	2,530
Selling and distribution expenses		**(32,215)**	(30,814)
Administrative expenses		**(21,802)**	(25,944)
Profit from operations		**480**	3,054
Non-operating income/(expenses)		**10,037**	(3,359)
Finance costs		**(10,167)**	(8,585)
Share of post-tax profit of associate		**1,731**	1,720
Profit/(Loss) before income tax		**2,081**	(7,170)
Income tax expense		**(1,425)**	(3,063)
Profit/(Loss) for the year		**656**	(10,233)
Profit/(Loss) for the year attributable to:			
Owners of the parent		**(6,921)**	(11,816)
Non-controlling interests		**7,577**	1,583

	Note	2017	2016
		656	(10,233)
Loss per share			
Basic and diluted	3	**(1.83 cents)**	(3.13 cents)

Consolidated Statement of Comprehensive Income

	2017 USD'000	2016 USD'000
Profit/(Loss) for the year	**656**	(10,233)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**6,449**	(9,589)
Exchange differences reclassified to profit or loss upon partial disposal of an associate	**355**	-
	6,804	(9,589)
Items that will not be reclassified to profit or loss:		
Surplus/(Deficit) on revaluation of hotel properties	**2,335**	(7,263)
Deferred tax relating to revaluation of hotel properties	**(1,837)**	1,665
	498	(5,598)
Other comprehensive income, net of tax	**7,302**	(15,187)
Total comprehensive income for the year	**7,958**	(25,420)
Total comprehensive income attributable to:		
Owners of the parent	**(3,631)**	(22,280)
Non-controlling interests	**11,589**	(3,140)
	7,958	(25,420)

Consolidated Statement of Financial Position

	2017 USD'000	2016 USD'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment, comprise:	**230,388**	223,078
Hotel properties, at valuation (of which, equity investment cost was USD77,070,000 (2016: USD76,460,000))	**153,977**	150,972
Other property, plant and equipment	**76,411**	72,106
Prepaid land lease payment	**4,509**	4,360
Intangible assets	**24,974**	25,166
Goodwill	**19,501**	19,501

Interest in associate	**28,164**	32,147
Available-for-sale financial assets	**-**	385
	307,536	304,637
CURRENT ASSETS		
Inventories	**19,471**	21,025
Trade and other receivables	**61,959**	66,211
Prepaid land lease payment	**117**	110
Pledged bank deposits	**34,272**	31,762
Cash and cash equivalents	**13,237**	14,338
	129,056	133,446
TOTAL ASSETS	**436,592**	438,083
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES		
Called up share capital	**19,062**	19,062
Share premium	**51,035**	51,035
Share option reserve	**433**	1,626
Treasury shares	**(1,765)**	(1,765)
Capital and special reserve	**96,850**	96,850
Revaluation reserve	**18,155**	17,657
Foreign exchange reserve	**(23,661)**	(26,453)
Statutory reserve	**10,540**	10,234
Profit and loss account	**(69,191)**	(62,425)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	**101,458**	105,821
NON-CONTROLLING INTERESTS	**48,934**	43,336
TOTAL EQUITY	**150,392**	149,157
NON-CURRENT LIABILITIES		
Borrowings	**57,704**	59,936
Deferred tax liabilities	**40,669**	38,711
	98,373	98,647
CURRENT LIABILITIES		
Borrowings	**134,512**	137,746
Current tax liabilities	**1,097**	1,403
Trade and other payables	**50,942**	49,904
Other financial liabilities	**1,276**	1,226
	187,827	190,279
TOTAL LIABILITIES	**286,200**	288,926
TOTAL EQUITY AND LIABILITIES	**436,592**	438,083

Consolidated Statement of Changes in Equity

	Attributable to owners of the parent										Non-controlling interests	Total Equity
	Share Capital USD'000	Share Premium USD'000	Share Option Reserve USD'000	Treasury Shares USD'000	Capital and Special Reserve USD'000	Revaluation Reserve USD'000	Foreign Exchange Reserve USD'000	Statutory Reserve USD'000	Profit and Loss Account USD'000	Total 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 Changes in Equity (Continued)

	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	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	-	-	-	-	-	-	-	-	-	-	(5,991)	(5,991)
Recognition of share-based payments	-	-	(732)	-	-	-	-	-	-	(732)	-	(732)
Share options lapsed during the year	-	-	(461)	-	-	-	-	-	461	-	-	-
Transactions with owners	-	-	(1,193)	-	-	-	-	-	461	(732)	(5,991)	(6,723)
(Loss)/Profit for the year	-	-	-	-	-	-	-	-	(6,921)	(6,921)	7,577	656
Other comprehensive income for the year:												
Deregistration of a subsidiary	-	-	-	-	-	-	-	(185)	185	-	-	-
Exchange differences on translating foreign operations	-	-	-	-	-	-	2,437	-	-	2,437	4,012	6,449
Exchange												

differences reclassified to profit or loss upon partial disposal of an associate	-	-	-	-	-	-	355	-	-	355	-	355
Surplus on revaluation of hotel properties	-	-	-	-	-	2,335	-	-	-	2,335	-	2,335
Income tax relating to components of other comprehensive income	-	-	-	-	-	(1,837)	-	-	-	(1,837)	-	(1,837)
Total comprehensive income for the year	-	-	-	-	-	498	2,792	(185)	(6,736)	(3,631)	11,589	7,958
Appropriations to statutory reserve	-	-	-	-	-	-	-	491	(491)	-	-	-
Balance at 31 December 2017	19,062	51,035	433	(1,765)	96,850	18,155	(23,661)	10,540	(69,191)	101,458	48,934	150,392

Consolidated Statement of Cash Flows

	2017 **USD'000**	2016 USD'000
Cash flows from operating activities		
Profit/(Loss) before income tax	**2,081**	(7,170)
Adjustments for:		
Finance costs recognised	**10,167**	8,585
Interest income	**(660)**	(602)
Provision for impairment of trade receivables	**1,265**	237
Provision for impairment of other receivables	**277**	22
Impairment of property, plant and equipment	**448**	-
Depreciation of property, plant and equipment	**7,600**	7,724
Amortisation of prepaid land lease payment	**120**	122
Amortisation of intangible assets	**30**	30
Write off of intangible assets	**655**	1,684
Write off of inventories	**512**	-
Losses on disposals of property, plant and equipment	**51**	136
Provision for impairment of obsolete inventories	**843**	403
Impairment of available-for-sale financial assets	**385**	-
Impairment of intangible assets	**2,273**	-
Share-based payments expenses	**(732)**	30
Gain on partial disposal of an associate, net of tax	**(15,422)**	-
Loss on deemed disposal of an associate	**-**	300
Share of post-tax profit of associate	**(1,731)**	(1,720)
Operating cash flows before movements in working capital	**8,162**	9,781
Decrease/(Increase) in inventories	**1,416**	(13)
Decrease /(Increase) in trade and other receivables	**7,146**	(16,277)
(Decrease)/Increase in trade and other payables	**(1,504)**	3,617
Cash generated from/(used in) operations	**15,220**	(2,892)
Interest paid	**(10,108)**	(8,529)
Income tax paid	**(1,731)**	(2,525)
Net cash generated from/(used in) operating activities	**3,381**	(13,946)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(9,417)**	(7,374)
Additions of intangible assets	**(2,032)**	(3,947)
Proceeds from disposals of property, plant and equipment	**457**	52
Dividend received from associate	**225**	796
Interest received	**660**	602
Payment of pledged bank deposits	**(591)**	(7,036)
Transaction costs and withholding tax in connection with partial disposal of an associate	**(3,195)**	-

Proceeds from partial disposal of an associate	**26,087**	-
Net cash generated from/(used in) investing activities	**12,194**	(16,907)
Cash flows from financing activities		
Proceeds from borrowings	**187,871**	155,403
Repayment of borrowings	**(198,156)**	(128,926)
Dividends paid to non-controlling interests	**(5,991)**	(2,649)
Increase/(Decrease) in amount due to an intermediate parent undertaking	**598**	(244)
Net cash (used in)/generated from financing activities	**(15,678)**	23,584
Net decrease in cash and cash equivalents	**(103)**	(7,269)
Cash and cash equivalents at beginning of year	**14,338**	22,285
Effects of exchange rate changes	**(998)**	(678)
Cash and cash equivalents at end of year	**13,237**	14,338

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 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. All values are rounded to the nearest thousand except when otherwise indicated.

At the end of reporting period, the Group's current liabilities exceeded its current assets by USD58,771,000 (2016: USD56,833,000). 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 2017.

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 positive 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 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 31 December 2017 without significant curtailment of operations. The directors of the Company are accordingly 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 to reduce the values of the assets to 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 consolidated financial statements.

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.

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 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 2017 USD'000	Haizi 2017 USD'000	Natural Dailyhealth 2017 USD'000	Botai 2017 USD'000	2017 USD'000	2017 USD'000	2017 USD'000
REVENUE							
External sales	86,379	6,845	8,306	204	13,604	-	115,338
Inter-segment sales	3,105	69	720	1,221	-	(5,115)	-
Segment revenue	89,484	6,914	9,026	1,425	13,604	(5,115)	115,338
Segment gross profit/(loss)	51,889	(3,027)	1,610	619	2,763	(840)	53,014
Segment operating profit/(loss)	9,984	(5,364)	(1,463)	(903)	2,661	(162)	4,753
Segment non-operating income/(expenses)	10,874	(38)	(142)	(272)	-	-	10,422
Segment fair value loss on derivative financial instrument	(564)	-	-	-	-	564	-
Segment finance costs	(4,016)	(973)	-	(147)	(1,099)	134	(6,101)
Segment share of post-tax profit of associate	1,295	-	-	-	-	436	1,731
Segment profit/(loss) before income tax	17,573	(6,375)	(1,605)	(1,322)	1,562	972	10,805
Depreciation and amortisation of non-financial assets	(3,144)	(3,235)	(775)	(414)	(156)	-	(7,724)
Provision for impairment of trade and other receivables	(1,495)	-	(39)	(8)	-	-	(1,542)
(Provision for)/Reversal of impairment of obsolete inventories	(610)	440	(74)	(490)	-	(109)	(843)
Impairment of property, plant and equipment	-	-	(448)	-	-	-	(448)
Losses on disposals of property, plant and equipment	(37)	-	(9)	(5)	-	-	(51)
Segment assets	210,199	48,044	18,815	6,985	159,852	(9,183)	434,712
Segment liabilities	(123,726)	(24,620)	(1,504)	(3,133)	(19,080)	-	(172,063)
Additions to non-current segment assets	4,068	5,826	444	352	758	-	11,448

	Healthcare				Hotel Operations	Elimination	Total
	Lansen 2016 USD'000 (Represented)	Haizi 2016 USD'000 (Represented)	Natural Dailyhealth 2016 USD'000 (Represented)	Botai 2016 USD'000 (Represented)	2016 USD'000 (Represented)	2016 USD'000 (Represented)	2016 USD'000 (Represented)
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)	11,564	(5,180)	(1,037)	266	2,152	9	7,774
Segment non-operating income/(expenses)	(3,221)	-	-	(738)	-	600	(3,359)
Segment fair value gain on derivative financial instrument	1,129	-	-	-	-	(1,129)	-
Segment finance costs	(3,367)	(654)	-	(3)	(788)	-	(4,812)
Segment share of post-tax profit of associate	1,454	-	-	-	-	266	1,720
Segment profit/(loss) before income tax	7,559	(5,834)	(1,037)	(475)	1,364	(254)	1,323
Depreciation and amortisation of non-financial assets	(2,951)	(3,377)	(957)	(400)	(165)	-	(7,850)
Provision for impairment of trade and other receivables	(255)	-	(4)	-	-	-	(259)
(Provision for)/Reversal of impairment of obsolete inventories	(84)	(436)	117	-	-	-	(403)
Losses on disposals of property, plant and equipment	(108)	-	(26)	(2)	-	-	(136)
Segment assets	214,419	48,612	19,710	7,371	155,834	(9,723)	436,223
Segment liabilities	(130,510)	(21,153)	(2,734)	(1,034)	(18,269)	-	(173,700)
Additions to non-current segment assets	4,663	2,758	3,217	463	220	-	11,321

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

	2017	2016
	USD'000	USD'000
Reportable segment finance costs	**(6,101)**	(4,812)
Unallocated corporate finance costs	**(4,066)**	(3,773)

Finance costs	**(10,167)**	(8,585)
Reportable segment profit	**10,805**	1,323
Unallocated corporate income	**89**	91
Unallocated corporate expenses	**(8,813)**	(8,584)
Profit/(Loss) before income tax	**2,081**	(7,170)
Reportable segment assets	**434,712**	436,223
Other corporate assets	**1,880**	1,860
Group assets	**436,592**	438,083
Reportable segment liabilities	**172,063**	173,700
Deferred tax liabilities	**40,669**	38,711
Unallocated corporate borrowings	**56,007**	59,785
Other corporate liabilities	**17,461**	16,730
Group liabilities	**286,200**	288,926
Reportable depreciation and amortisation of non-financial assets	**7,724**	7,850
Unallocated corporate depreciation	**26**	26
Group depreciation and amortisation of non-financial assets	**7,750**	7,876
Reportable additions to non-current segment assets	**11,448**	11,321
Unallocated corporate additions	**1**	-
Group additions to non-current assets	**11,449**	11,321

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

	Revenue		**Non-current assets**	
	2017	2016	**2017**	2016
	USD'000	USD'000	**USD'000**	USD'000
The PRC (domicile)	**103,588**	106,427	**307,536**	304,252
Overseas	**11,750**	11,976	**-**	-
Total	**115,338**	118,403	**307,536**	304,252

The geographical location of customers is based on the location at which the services were rendered 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 2017 and 2016.

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:

	2017	2016
	USD'000	USD'000
Loss		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(6,921)**	(11,816)

	2017	2016
	Thousands	Thousands
Number of shares		
Common Shares		
Weighted average number of Common Shares		

for the purpose of basic and diluted loss per share	**368,979**	368,869
A Shares		
Weighted average number of A Shares for the purpose of basic and diluted loss per share	**8,979**	9,089

For the year ended 31 December 2017, the computation of diluted loss per share does not include the 5,664,035 Common Shares (2016: 4,523,842 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 2017 and 2016, the computation of diluted loss per share did not assume the incremental shares from outstanding share options would be excised, as these share options have an anti-dilutive effect.

4. Comparative figures

Certain comparative figures in the consolidated statement of profit or loss have been represented to confirm to current year's presentation.

5. Financial information

This preliminary results statement was approved by the Board of Directors on 9 April 2018. The above results for the year ended 31 December 2017 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 Link Assets Services, 34 Beckenham Road, Beckenham, BR3 4TU, United Kingdom.

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