

## Regulatory Story

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**Cathay International Holdings Ld** - CTI Lansen's release of its Trading Update  
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### **Cathay International Holdings Limited ("Cathay" or the "Company")**

#### **Lansen's release of its Trading Update**

**Hong Kong, 25 January 2019 - 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"), announces that Lansen Pharmaceutical Holdings Limited ("Lansen", incorporated in the Cayman Islands) (HKEX: 503), the Company's 50.56% owned subsidiary, has today made an announcement (the "Lansen Announcement") regarding its trading position for the year to 31 December 2018.

Lansen has announced that it expects to record a noticeable decrease in its net profit for the year ended 31 December 2018 as compared with that for the year ended 31 December 2017. The decrease was mainly attributable to:

- (i) a delay in the disposal plan of shares in Zhejiang Starry Pharmaceutical Co., Ltd and hence the pre-tax net gain of disposal of shares in Zhejiang Starry Pharmaceutical Co., Ltd. decreased significantly for the year ended 31 December 2018 compared with the year ended 31 December 2017;
- (ii) the absence of a one-off income from insurance claims for flood in the year ended 31 December 2017;
- (iii) the implementation of the operating strategies as described in Lansen's 2018 Interim Report, which Lansen would focus on its own branded products and speed up their development. Lansen expected a short period of transition for the replacement of agency products by its own branded products. As a result, Lansen actively decreased the sales of agency products and revenue from the sales of agency products decreased significantly compared with the year ended 31 December 2017;
- (iv) Lansen's adjustment of operating strategies to better manage working capital and to strengthen its cash flow as a priority. Lansen actively reduced the inventory levels of the distributors, resulting in a decrease in sales and gross profit

contribution from the pharmaceutical products for the year ended 31 December 2018. However, the revised operating strategies did not affect the sales of Lansen's products by distributors to the ultimate consumers in the market; and

- (v) the decrease in the revenue of pharmaceutical segment for the year ended 31 December 2018 compared to the year ended 31 December 2017 was due to the Lansen's strategic decrease of selling expenses of pharmaceutical segment. Having said that, excluding the effect of above mentioned (iii) and (iv), the decrease in selling expenses of pharmaceuticals segment was actually proportionally higher than the decrease in sales of the pharmaceutical segment and therefore the segment profit of pharmaceuticals for the year ended 31 December 2018 increased as compared to the year ended 31 December 2017.

The reduction in revenues and profits at Lansen will have a corresponding adverse impact on the results for the Group as a whole for 2018. As we have reported previously, the Company expects the underlying challenging economic conditions, regulatory changes and tough competition to continue and to have an adverse impact in the short term.

The full text of the Lansen Announcement can be found at <http://www3.hkexnews.hk/listedco/listconews/SEHK/2019/0125/LTN20190125487.pdf> and will also be made available at the Announcements & Notices section of Lansen's homepage at <http://holding.lansen.com.cn/en/newlist.aspx?NodeCode=10002000700050005>.

The information contained in the Lansen Announcement is based on the latest management accounts of the Lansen group and its preliminary review of the currently available information, and such information may be adjusted after further internal review, and will only be confirmed after completion of the audit or review process.

**-Ends-**

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**About Cathay**

Cathay International Holdings Limited (LSE: CTI.L) is a main market listed investment holding company and an operator and investor in the healthcare sector in the People's Republic of China (the "PRC"). The Company and its subsidiaries (collectively the "Group") aim to leverage on investment opportunities in the growing domestic demand for high quality healthcare products in the PRC and build portfolio companies into market sector leaders with competitive edge. Cathay has already demonstrated a track record of identifying investment opportunities in this area including: Lansen, a PRC specialty pharmaceutical company focused on rheumatology and dermatology; Haizi, a PRC inositol manufacturer; Natural Dailyhealth, a company engaged in production and sales

of plant extracts for use as key active ingredients in healthcare products; and Botai, a company engaged in collagen products.

The Group employs approximately 1,800 people across the PRC, including over 20 specialist corporate and business development staff based at the holding company's offices in Hong Kong and Shenzhen. Cathay also has a hotel investment in Shenzhen. For more information please visit the Company's website: [www.cathay-intl.com.hk](http://www.cathay-intl.com.hk).

#### **About Lansen**

Lansen, whose shares are listed on the main board of the Hong Kong Stock Exchange, is a 50.56% owned subsidiary of Cathay. Lansen is engaged in the manufacture, distribution and development of specialty prescription drugs for treatment of autoimmune disorder in rheumatology and dermatology. Lansen specialises in disease modifying anti-rheumatic drugs ("DMARDs") for treatment of rheumatoid arthritis ("RA") in the PRC. Lansen has established an extensive distribution network, covering more than 1,000 hospitals in four municipalities, 25 provinces and cities in the PRC. For more information please visit the Lansen's website: [www.lansen.com.cn/en/index.aspx](http://www.lansen.com.cn/en/index.aspx).

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